



**Annual Report to the
Coalition for Environmentally Responsible Economies (CERES)**

2003

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Section 1: Company Profile

This is the third annual report submitted by Consolidated Edison, Inc. (Con Edison, CEI or the Company) to the Coalition for Environmentally Responsible Economies (CERES). It provides key information on Con Edison’s environment, health & safety (EH&S) programs and performance in calendar year 2003, including performance trends over the past several years. This report covers EH&S initiatives, performance and achievements that Con Edison and its affiliated companies’ employees have worked diligently to achieve. In addition, the report documents EH&S-related challenges faced by Con Edison companies and our plans for continuous improvement. In working toward EH&S excellence, we celebrate and build upon our successes, while aggressively addressing compliance issues and other EH&S risks.

Con Edison Characteristics

Con Edison is one of the nation’s largest investor-owned energy companies. CEI provides a wide range of energy-related products and services to its customers through its six subsidiaries:

Consolidated Edison Company of New York, Inc. (CECONY) is a regulated utility providing electric service to over 3.1 million customers and gas service to nearly 1.1 million customers in New York City and Westchester County. CECONY also provides steam service in parts of Manhattan.

Orange and Rockland Utilities, Inc. (Orange and Rockland or O&R) is a regulated utility that delivers electricity and natural gas. Orange and Rockland provides electric service to over 289,000 customers in southeastern New York and adjacent sections of New Jersey and northeastern Pennsylvania and gas service to over 122,000 customers in southeastern New York and northeastern Pennsylvania.

Con Edison Solutions, Inc. is an unregulated subsidiary that sells electricity and gas to delivery customers of CECONY, O&R and other utilities and also offers energy-related services.

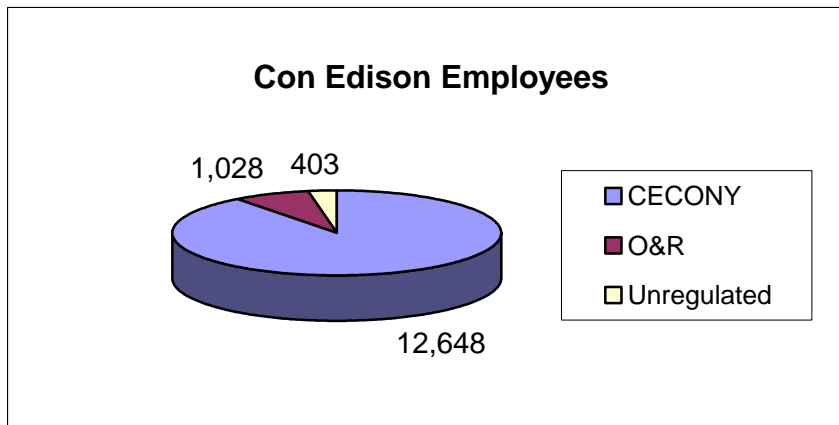
Con Edison Energy, Inc., an unregulated subsidiary, provides energy and capacity to Con Edison Solutions and others and markets the output of plants owned or operated by Con Edison Development. Con Edison Energy also provides risk management services to Con Edison Solutions and Con Edison Development and offers these services to others.

Con Edison Development, Inc. is an unregulated subsidiary that owns and operates generating plants and energy and other infrastructure projects.

Con Edison Communications, LLC (CEC), an unregulated subsidiary, builds and operates fiber optic networks to provide telecommunications services.

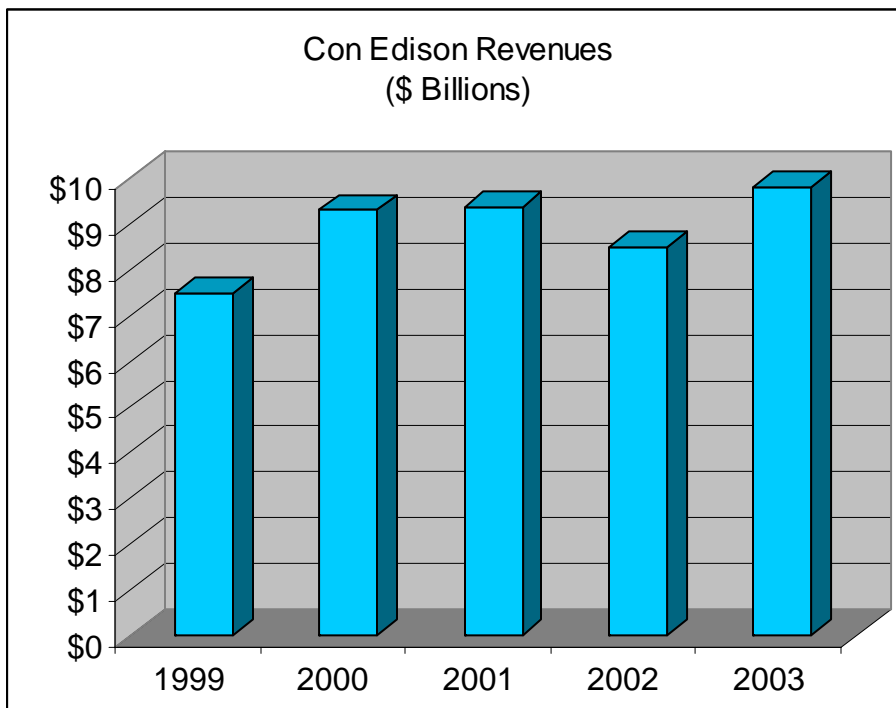
WEBSITES	
Consolidated Edison, Inc.	www.conEdison.com
Consolidated Edison Company of New York (CECONY)	www.coned.com
Orange & Rockland (O&R)	www.oru.com
Con Edison Solutions	www.conedsolutions.com
Con Edison Energy	www.conedenergy.com
Con Edison Development	www.coneddev.com
Con Edison Communications	www.electricfiber.com

At year-end 2003, Con Edison employed 14,079 people. Employment has been steady, within 2% of this level for the past five years. The vast majority of employees work in the regulated subsidiaries as illustrated below.



There are approximately 318 personnel assigned full-time to EH&S functions throughout Con Edison, Inc. This includes personnel in operations (e.g., Electric Operations, Construction Management) and support services (e.g., corporate EH&S, auditing).

Con Edison is based in New York City with revenue in 2003 totaling \$9.827 billion. Virtually all revenues are generated in the United States.



This report focuses principally on Con Edison's two wholly owned regulated subsidiaries: CECONY and O&R. They are, by far, the largest subsidiaries in terms of employees and revenue.

Both CECONY and O&R have divested most of their electric generation capacity over the past several years as required by the New York State Public Service Commission (NYSPSC). CECONY retains only 630 MW of generation capacity in New York City (approximately 6% of the capacity needed to power New York customers); O&R has no electricity generation.

CECONY Characteristics

CECONY is Con Edison's largest subsidiary, providing electric service throughout New York City (except for a small area of Queens) and most of Westchester County. The majority of CECONY's customers are served from an *underground* distribution system.

CECONY also provides natural gas service in Manhattan, the Bronx, and parts of Queens and Westchester County. Finally, CECONY owns and operates the world's largest steam distribution system, providing steam service for heating and air conditioning to many customers in Manhattan south of 96th Street. Six CECONY stations generate this steam for year-round use. The steam system displaces roughly 400 MW of electric generation, and operates at a higher efficiency than conventional generating stations, based on cogeneration of steam and electricity at several boilers. Information on the scale of CECONY's operations is provided in the following table.

Energy Sector	Measure of Scale	Amount
Electricity		
Generation:	Total rated peak summer 2003 capacity in MW	630
	Total MWh generated by CECONY in 2003	1,077,681
Transmission:	Km of right of way (69 kV and above): underground cable	1,100
	overhead wire	695
Distribution:	Km underground cable (below 69 kV)	145,161
	Km of overhead wire	52,840
Sales:	Peak MW load in 2003	11,875
	Total MWh delivered in franchise area in 2003	53,735,008
Customers:	Average customers for 2003	3,137,301
Natural Gas		
Distribution:	LNG storage (m ³)	38,000
	Km of gas mains	6,856
Sales:	Total sales and transportation in 2003 (dekatherms)	205,911,720
Customers:	Average customers for 2003	1,053,946
Steam		
Supply:	Winter peak sendout in 2003 (metric tons per hour)	4,400
	Net station capacity (metric tons per hour)	5,720
	Total steam supplied in 2003 (million metric tons)	11.9
	Km of steam mains and service lines	169
Customers:	Average customers for 2003	1,825

Orange and Rockland Characteristics

O&R is a regulated subsidiary, headquartered in Pearl River, New York, that delivers electricity in northern New Jersey, as well as both electricity and natural gas in southeastern New York and northeastern Pennsylvania. Within its tri-state service territory, O&R provides service to a population of roughly 725,000. O&R divested its electric generation assets in 1999. The information presented in this report reflects this divestiture. O&R characteristics are presented below.

Energy Sector	Measure of Scale	Amount
Electricity		
Transmission and Distribution:	Km of underground cable	4,325
	Km of overhead wire	8,238
Deliveries:	Total MWh delivered in franchise area in 2003	5,612,461
Customers	Average for 2003	288,746
Natural Gas		
Distribution:	Km of gas mains	2,904
Sales:	Total sales and transportation in dekatherms in 2003	33,796,086
Customers	Average for 2003	122,565

Industry Recognition

Con Edison and CECONY earned several prestigious awards in 2003 in recognition of their EH&S programs, reliability, financial strength and innovation.

- ❖ The U.S. Environmental Protection Agency presented CECONY with a Gas STAR program Certificate of Achievement for “*aggressively reducing methane emissions and helping lead the way to reducing climate change impacts.*”
- ❖ For the second year in a row, an international industry consultant, PA Consulting Group, named CECONY the “*most reliable utility in North America.*” CECONY’s reliability is approximately nine times better than the national average. CECONY received the ReliabilityOne Award during a ceremony October 29, 2003 in Orlando, Florida.
- ❖ The 2004 *Innovest* Strategic Value Advisors U.S. Utility Industry Report ranks Consolidated Edison, Inc. third among 26 participating North American electric utilities in environmental performance. The twelve categories on which the ranking was based included environmental strategy, environmental accounting/reporting, corporate governance and total air emissions, where Con Edison received its highest score. *Innovest* gave Con Edison a rating of **AAA EcoValue**, the highest for environmental performance, and predicted that Con Edison will continue to out-perform other electric utilities.

Key Business Information	
Con Edison Dun & Bradstreet Number	00-294-4531
Corporate Tax Number (CON EDISON)	13-3965100
Corporate Tax ID Number (CECONY)	13-5009340
Corporate Tax ID Number (Orange and Rockland – New York)	13-1727729C
Corporate Tax ID Number (Orange and Rockland – New Jersey)	131-727-729/000

Section 2: Environmental Policies, Organization and Management

A Policy Aimed at EH&S Excellence

Con Edison's policy directs its employees in all subsidiaries to strive for excellence in EH&S performance and to comply fully with all laws and regulations that apply to their operations. The original environmental policy was issued in 1992 and has been reviewed and updated three times since, most recently in December 2001. The current EH&S Policy is reprinted below.

Environment, Health & Safety Policy

Consolidated Edison, Inc. is committed to continuing to strive for excellence in its environmental, health and safety performance, while complying with all laws and regulations that apply to Company operations. Business and operational decisions throughout the Company incorporate environmental, health and safety aspects into the decision-making process. All Con Edison employees are held accountable for knowing the Corporate environmental, health and safety requirements that apply to their assigned responsibilities, and for using the information in planning and completing their work. In support of this policy, Con Edison:

- Maintains procedures and provides training to meet the Corporation's environmental, health and safety standards.
- Openly communicates environmental, health and safety issues with our employees, customers, and stakeholders.
- Promotes effective environmental, health and safety program management through auditing, monitoring, reviewing and corrective action efforts.
- Advances the identification, analysis, and management of environmental, health and safety risks to foster prediction and prevention efforts.
- Recognizes and encourages outstanding environmental, health and safety performance.
- Strives to reduce waste and prevent pollution through recycling and effective work planning programs and promotes strategies for energy conservation.
- Maintains systems, procedures, and personnel to prevent incidents, and, when necessary, to respond to emergencies.
- Promotes research to develop new and better technologies for environmental, health and safety management.
- Establishes metrics to track progress.

December 2001

Both of Con Edison's regulated subsidiaries, CECONY and O&R, maintain strong but separate environmental programs to implement Con Edison's policy. The unregulated subsidiaries maintain environmental programs commensurate with their size and environmental aspects, also subject to Con Edison's EH&S policy.

Con Edison's EH&S policy, as well as related programs and procedures, are periodically reviewed and updated to ensure that they embrace our values and provide high-quality, easy-to-use information to our workers. An Environment & Safety Committee, consisting of CECONY's President, its General Counsel, the senior officers of the major departments, as well as outside environmental consultants, is responsible for establishing and reviewing the Corporate EH&S policy. This committee is chaired by CECONY's Corporate EH&S Vice President, who reports, in this capacity, to Con Edison's Chief Executive Officer.

At O&R, environmental policy, as well as related programs, procedures and performance are reviewed and updated by members of O&R's Corporate Environmental Policy Committee. This Committee, chaired by the Department Director, meets three times per year. Other members include the O&R President, Vice Presidents and Senior Management. In addition, EH&S staff periodically reviews environmental policies and procedures to ensure their continued relevance in light of changing standards, technology and emerging concerns. EH&S staff update procedures as required.

Con Edison's EH&S Strategic Plan

Con Edison's EH&S strategic plan provides the framework to implement the EH&S policy. The strategic plan includes these six key objectives:

- ❖ **Improve safety performance** by strengthening our safety management system to foster a positive safety culture.
- ❖ **Ensure EH&S compliance** by sustaining our existing management system activity and by improving work processes and practices.
- ❖ **Enhance relationship with stakeholders** by building trust through proactive communication and collaboration.
- ❖ **Integrate EH&S into “The Way We Work”** – this company-wide effort observes six principles: plan the work and work the plan, seek and accept responsibility, communicate openly, work in teams, improve continuously, and celebrate success.
- ❖ **Identify and reduce significant EH&S risk potential** by incorporating risk management as a tool in the business decision-making process.
- ❖ **Promote the wise and effective use of natural resources** by integrating resource conservation into our business planning and operations, including the identification and implementation of sustainable reductions.

Maintaining Accountability for EH&S Performance

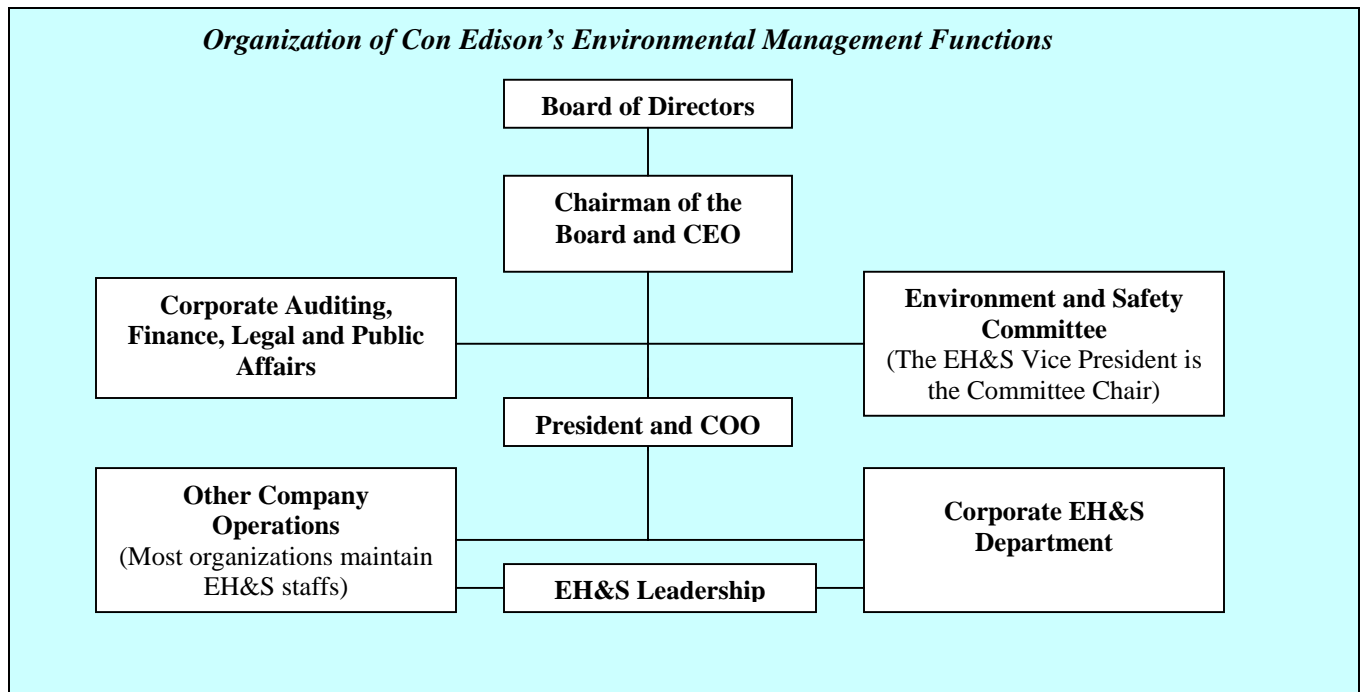
The Environmental Committee¹ of the Board of Directors governs Con Edison's overall environmental programs. Since its inception in 1995, the Environmental Committee has met four times per year to review the status of Con Edison's EH&S efforts. Typically, the CEO, CECONY's President, the General Counsel, O&R's President and the CECONY Corporate EH&S Vice President participate in these meetings. The Committee requests reports and presentations on special issues from senior management.

The Corporate EH&S Vice President is responsible for developing CECONY's EH&S programs to ensure compliance and to work toward EH&S excellence. In addition, Corporate EH&S provides support services to operating departments, which are responsible for maintaining day-to-day compliance with applicable standards. The Corporate EH&S Vice President reports directly to CECONY's President and Chief Operating Officer (COO).

CECONY's Corporate EH&S Vice President heads an EH&S Leadership Team to oversee and implement the EH&S strategic plan. The Leadership Team consists of EH&S managers from operating departments, as well as representatives from Legal, Purchasing, Occupational Health, Human Resources, Auditing, and Corporate EH&S. This team has developed key objectives, and strategic and annual goals to move Con Edison closer to EH&S excellence.

The Corporate EH&S Vice President and appropriate EH&S leaders meet with the CECONY President/COO twice each month to review the status of major EH&S projects and to discuss current performance issues.

¹ In 2003, this Committee became the EH&S Committee.



At CECONY, environmental compliance and operational decisions are managed in a decentralized manner with guidance from Corporate EH&S and Legal. CECONY field operations are responsible for compliance at their facilities and work locations. The EH&S policy holds all employees “accountable for knowing the corporate environmental, health and safety requirements that apply to their assigned responsibilities, and for using the information in planning and completing their work.” CECONY has established comprehensive training programs to ensure that all employees can accomplish this goal.

O&R’s EH&S program is implemented by the Environmental, Health, Safety and Training Department. The Department Director reports to the Director of Human Resources, who in turn reports to the President of O&R. At O&R, environmental compliance and operational decisions are principally handled in a centralized fashion. The Department has direct responsibility for managing environmental programs and procedures to ensure that operations comply with all environmental regulations. O&R seeks guidance, as necessary, from CECONY.

Con Edison Development has established comprehensive environmental programs for each facility over which it has operational authority. (Certain facilities are joint ventures with other companies, and those companies are responsible for facility operation.) Formal environmental management systems have been developed for the facilities under Con Edison Development’s operational control. Late in 2002, Con Edison Development initiated an International Organization for Standardization (ISO) 14001 program.

Independent Oversight

As a part of senior management’s commitment to EH&S excellence, the following strategic independent oversight functions have been established.

- ❖ **Office of the Corporate Ombudsman** – The Office of the Corporate Ombudsman provides employees with an independent office to which they can confidentially refer suspected violations of Con Edison’s Code of Conduct, including EH&S requirements, or ethical and legal concerns.

The Ombudsman and the Deputy Ombudsman have the authority to either investigate these matters or refer them to appropriate authorities within Con Edison.

- ❖ ***Independent Monitor*** – The Independent Monitor investigates select and significant environmental and safety events, including claims of harassment for raising environmental or safety concerns. The Monitor determines which events and claims to investigate personally and which to refer to other appropriate organizations. The Monitor reports the findings of investigations to the Chairman and to other employees, as appropriate.
- ❖ ***Environmental Quality Review Board*** – The Environmental Quality Review Board, consisting of three outside consultants, reports to the Chairman on components of Con Edison’s EH&S programs and the status of efforts to attain EH&S excellence.

Meeting the Challenge of Sustainable Development

Con Edison is committed to sustainable development (i.e., economically, environmentally and socially sustainable) within the scope of its operations, which primarily involves the transmission and distribution of energy. Con Edison’s efforts to enhance sustainability are focused on the EH&S Strategic Plan objectives to “promote the wise and effective use of natural resources” and to “enhance our relationship with stakeholders.” Working toward these key objectives entails several critical and inter-related actions. These actions include educating our customers about energy conservation and by conserving energy and natural resources at Con Edison buildings and operating facilities. It also entails the development and implementation of pollution prevention and resource conservation programs on the part of all business organizations.

Strategic EH&S Risk Management

Risk management is a key component of CECONY’s Environmental and Safety Management Systems. CECONY’s approach to risk management is focused on analyzing, managing, and, where possible, eliminating environmental, health, and safety risks that affect the business and the communities served. Leading this effort are risk management teams composed of representatives from EH&S, engineering, and operations groups.

Through fieldwork, the teams assess equipment, processes, and procedures to identify environment, safety, or health risks. Each risk is evaluated to determine its likelihood, its defining features, and its possible consequences. The teams then compare these considerations and assign a priority factor for each of the identified risks. Using this information, control and design mechanisms are evaluated so that enhanced measures can be developed to predict and prevent hazards.

CECONY’s Corporate EH&S Department chairs a Strategic Risk Council to identify, prioritize and manage emerging regulatory requirements as well as societal and stakeholder concerns and expectations. The council uses a systematic approach and applies internal and external resources to assess and categorize risks. Priority issues are assigned to designated working teams for further evaluation and management, as appropriate. Since strategic issues tend to develop over time, the council works to anticipate future risks and prevent them from developing into tactical challenges that adversely affect operational issues.

Broadening the Discussion About Risk

In October 2003, CECONY hosted its second annual environmental forum entitled, *Commitment to Excellence: Managing Environmental Risk*. The gathering assembled environmental leaders from 24 major corporations in the Northeast to discuss environmental excellence and examine practices to identify, evaluate, and manage environmental risk.

The keynote speaker at this conference was Mindy Lubber, executive director of CERES. She noted the major significance of managing environmental risk as a component in every firm's environmental policy. "The approach to managing environmental risk is truly the fundamental soul of a corporation's strength morally, financially, legally, and scientifically. It is a fundamental part of a company's core strategy, or what could be thought of as the DNA of the core strategy – part of the way the company works."

The day's events included breakout sessions and discussion panels on topics such as environmental strategic planning and company culture issues, aimed at facilitating an open exchange of ideas on key corporate environmental questions.

An account of the forum and its conclusions was published in *Corporate Environmental Strategy*, a leading journal for environmental professionals.

Risk-Based Initiatives

In addition to measures mandated by regulations and environmental laws, CECONY has a tradition of pursuing independent environmental initiatives instituted strictly by the company itself. These programs go beyond legal requirements, and are carried out with the goal of helping mitigate risks to the environment. Two examples are briefly described below.

Recognizing Outstanding Performance

CECONY and O&R recognize the outstanding performance of employees in protecting the environment. In 2003, award categories reflected the six key objectives for the EH&S strategic plan. A total of 61 CECONY and O&R employees were honored with EH&S Excellence Awards at an EH&S Awards Breakfast. In addition, field organizations run tailored employee recognition programs, generally offering a combination of plaques, prizes, and small cash awards. Employees who exceed expectations in protecting the environment are recognized in a variety of ways. Their accomplishments are featured in articles posted on CECONY's Intranet site, acknowledged in environmental newsletters or covered in the monthly EH&S video production, "The Excellence Files." The employee recognition programs further encourage employee initiative.

O&R also recognizes employees' outstanding EH&S performance and their efforts in protecting the environment. Several types of awards are available to employees. Supervisors may make spot awards of \$25 for employee initiatives to protect the environment. Quarterly awards of \$100 are made for outstanding performance and taking EH&S-related initiatives.

Educational Programs Build Employee EH&S Skills

CECONY provides a comprehensive array of education and training programs to employees to update and expand their skills and knowledge. For example, employees can earn a Certificate in Environmental Management from the New York Institute of Technology (NYIT), where courses are offered online or at

one of three NYIT campuses. CECONY reimburses 50-85% of course tuition following the achievement of passing grades. The course credits may be applied toward a Masters Degree in Environmental Management, for which CECONY also provides financial support for approved candidates.

Mercy College is working in partnership with CECONY to offer employees a special training program leading to a Certificate in Occupational Safety and Health. This program, initiated in 2001, is available to both management and union employees. Courses are held at CECONY's offices in Rye, New York.

Through these and related programs, 25 employees have earned degrees in EH&S-related programs such as environmental engineering, law and environmental health. In addition, 16 employees earned certificates in environmental management or occupational safety and health. Approximately 20 employees are currently pursuing EH&S degree or certification programs.

An Extensive In-House Program For EH&S Training

CECONY has established The Learning Center, a state-of-the-art training, meeting and conference center in Long Island City, New York. The facility has 39 classrooms, 48 laboratories, a state-of-the-art library, an auditorium and a cafeteria. The Learning Center offers more than 500 classes, covering technical courses, as well as skills enhancement and leadership development. There are approximately 74 EH&S training courses offered by The Learning Center to improve employees' understanding of regulations, CECONY policies, procedures, technologies and operations. Courses cover all the areas for which EH&S procedures have been developed.

Training coordinators within each organization work with management to determine exactly which training courses each employee should have. Several employees took advantage of the growing number of interactive distance learning and web-based courses (especially certain annual refresher training courses) offered through CECONY's intranet website.

Formal on-the-job training (OJT) is conducted for employees by each operating department – using curricula developed by personnel from The Learning Center, Corporate EH&S, Legal, and operating departments. Several hundred EH&S OJT courses are available, covering the full range of CECONY's operations. OJT training courses include spill reporting, spill response and cleanup, hazardous waste management, oil and chemical management, waste sampling and noise control, among many others.

At O&R, all operations employees in Electric, Gas, Transportation, Facilities and Substations attend annual Environmental Awareness Training (First Responder Operations Level). This training covers numerous additional topics relative to environmental management such as petroleum bulk storage, natural resource management, transportation, and Spill Prevention Control and Countermeasure and Contingency Plans. In total, these programs impact approximately half of O&R's employees. All O&R Environmental Service Department personnel are trained to the Hazardous Materials Technician level. They also attend workshops and seminars relative to manufactured gas plant investigation/remediation, wetlands and hazardous waste.

O&R's Forestry, Facilities, Safety Training and Substations supervisory staff have also been cross-trained to the Hazardous Material Technician level to assist Environmental Services during a spill or release event, if necessary.

R&D Programs Focus on Resource Conservation

CECONY and O&R conduct or sponsor a broad range of environmental research and development projects. These projects focus on environmental protection and resource conservation. Examples of ongoing R&D projects are as follows:

Leak Detection Technology – CECONY is adapting NASA gas-leak detection technology developed for the space shuttle to locate polychlorinated biphenyl (PCB) spills. Termed *READ* Technology, it will hopefully be able to identify PCBs in spills and to quantify the PCBs in the spills immediately. The technology also will be used to locate dielectric fluid leaks from buried transmission cable and to find difficult-to-locate small natural gas pipeline leaks. Equipment testing is scheduled to begin in late 2004.

Hydrogen Fuel Cell Development – Fuel cell units are being adapted by CECONY for use in large substations to maintain lead-acid batteries at maximum charge and to provide back-up energy in case of blackouts extending beyond 8 hours. The fuel cells should significantly extend battery life, thus reducing the number of batteries disposed of each year. Equipment testing is scheduled to begin by early 2005.

Superconductivity Research – Working with the Electric Power Research Institute (EPRI) and the Coalition for Commercial Application of Superconductors, a non-profit industry group supporting this technology, CECONY is sponsoring the development of superconductivity. Specific near-term applications include the development of transmission-level fault current limiters. Longer-term research focuses on advanced substation and interconnection designs allowing larger amounts of power to be routed within and between our substations using less space, and to potentially significantly reduce energy loss in transmission lines.

Alternative Circuit Breaker Technology - Con Edison is providing the primary support to EPRI for developing a solid-state current limiter (SSCL) to restrict fault current in the transmission grid. Fault current introduced to the grid (e.g., by independent power producers) can cause circuit breaker failure at substations under certain conditions. SSCLs may be an alternative to larger and more expensive circuit breakers to maintain power quality, helping to enable distributed generation and energy storage as well as superconducting transmission cables. In addition, where their use is practical, SSCLs would replace equipment containing SF₆.

Microturbine Use – CECONY, working with the New York State Energy Research and Development Authority (NYSERDA) (<http://www.nyserda.org>) is planning to install and test a 75-kW natural gas-fueled microturbine at The Learning Center to determine how such units can be most cost-effectively deployed and operated in a commercial building. In addition, CECONY is to install and test a microturbine at a large hotel in Times Square to determine optimal parameters for using this technology in the hotel industry. Testing is scheduled to begin in 2005. Lastly, CECONY, in partnership with Douglas Energy, the US Department of Energy and the California Energy Commission, installed a Carrier™ microturbine at the Rolex Building in the fall of 2003. This additional resource utilizes the energy produced from the work performed by the steam pressure reduction valves located upstream from the absorption chiller. The microturbine converts this steam product to generate electricity for the building. The generation of electricity also supplements Rolex's own power requirements during the summer months and reduces summer peak loads.

SF₆ Leak Mitigation – CECONY and O&R are working with EPRI and other utilities to develop and evaluate improved sealing methods for small leaks of sulfur hexafluoride (SF₆) insulating gas from high-voltage electrical equipment. The new sealing materials and methodologies build upon prior

work that developed an SF₆ Laser Imaging Camera that can detect very small leaks, and are intended to provide improved methods and materials to seal small leaks, temporarily pending more permanent repairs that would have to be scheduled as part of less frequent major equipment overhauls.

Achieving Formal Environmental Management System Certification

CECONY received formal certification of its environmental management system² under ISO 14001 in 2002. The certification covers every operating and support organization in CECONY. In 2003, CECONY participated in two third-party surveillance audits, required to maintain ISO 14001 certification. The auditor (Lloyd's Register Quality Assurance, Inc.) found no areas of non-conformance.

Continuously Improving the Environmental Management System

To continuously improve its environmental management system, CECONY has instituted a formal Validation and Improvement Process (VIP), consisting of a structured series of organizational self-assessments and evaluations of EMS elements. Participants in the process include EH&S managers, line managers, supervisors and field employees. The findings of these self-assessments are used to develop specific enhancements for planning, methods and procedures to improve environmental performance.

Systematic Auditing Plays a Key Role in Compliance and Sound Management

Auditing is a critical component of an effective environmental management system. Con Edison maintains a rigorous environmental, health and safety auditing program. The EH&S auditing program is run by CECONY and covers all Con Edison subsidiaries. To help ensure independence, the auditing organization is in a separate department from Corporate EH&S. Both facility operations and Company-wide programs (e.g., PCB Management and EH&S Training) undergo periodic systematic audits to determine their compliance with applicable regulations and company procedures, as well as the adequacy of EH&S management systems in use.

In 2003, approximately 30 facilities were audited. Facilities from every major operating organization were included in these EH&S audits. Audit frequency for a given facility is dependent upon EH&S compliance risk (as determined by the Auditing Department) and generally with audit frequency commitments set forth in a 1994 Order on Consent between CECONY and NYSDEC. Most major facilities (e.g., steam generating stations) are audited in a three-year cycle.

EH&S audits are conducted by the EH&S Group in CECONY's Corporate Auditing Department. The EH&S Auditing Group, under the Con Edison audit policy, audits all facilities and programs, including regulated (CECONY and O&R) and unregulated Con Edison subsidiaries. The EH&S Auditing Group is staffed with dedicated personnel, experienced in auditing, regulatory requirements and CEI procedures. Audits are managed by personnel independently certified as EH&S auditors. The EH&S Auditing Group has developed standard protocols specific to each area of concern that may be encountered at Company facilities to ensure comprehensive and consistent audits. EH&S audits cover a broad range of environmental, health and safety categories.

Formal audit reports prepared at the conclusion of each EH&S facility or program audit are widely disseminated. These reports are distributed to all officers whose organizations have responsibilities for corrective actions based on audit findings. Senior officers receive copies of audit reports (including the CEO), as does the Audit Committee of the Board and CECONY's independent auditors, PricewaterhouseCoopers.

The EH&S audit program has recently been revised, reflecting the full adoption of a risk-based approach in 2003. The next peer review will occur after sufficient time has elapsed under the new approach to properly

² Lloyd's Register Quality Assurance, Inc. issued the EMS certification.

judge audit practices. An independent organization such as Con Edison's auditor, PricewaterhouseCoopers, or the Edison Electric Institute's Environmental Audit Peer Review Program (<http://www.eei.org/>) will conduct this peer review. Independent reviews are expected to cover program content, site selection, coverage, frequency, protocols, audit team selection, reporting of results and corrective action planning and tracking.

In addition to the EH&S auditing program, CECONY has established a formal self-assessment program for organizations to monitor their environmental compliance systematically. The EH&S Auditing Group administers this program in conjunction with the operating organizations by developing the self-assessment protocols, training personnel in their use, and monitoring compliance with the program guidelines.

In addition to the CECONY-managed audit program, O&R conducts compliance assessments for operations and facilities under its jurisdiction. O&R conducted environmental compliance assessments at operating centers, substations and gas regulator stations in 2003. O&R also completed several joint environmental/safety inspections at satellite and divisional operating centers in 2003.

Last year, CECONY conducted a comprehensive EH&S audit of an O&R operating center and oversaw the EH&S audit of a Con Edison Development co-generation facility in New Jersey.

Section 3: Workplace Health and Safety

The construction, operation and maintenance of electric, gas and steam systems pose significant risks. Con Edison recognizes the critical importance of protecting employees from these risks, as well as minimizing accidents, injuries and work-related illnesses to the maximum extent possible. Con Edison, through its CECONY and O&R subsidiaries, employs comprehensive programs/procedures, training, communications and special initiatives to protect the health and safety of all employees.

Among the unregulated subsidiaries, Con Edison Development maintains comprehensive health and safety programs at the facilities they operate. Con Edison Communications, which utilizes contractor crews to build and maintain cables in the streets, has worked with CECONY and regulatory authorities to establish a program to protect the health and safety of contractor personnel. Con Edison Communications uses Maintenance and Construction inspectors from CECONY, adopting the basic structure of CECONY's Contractor Management Program.

Both of Con Edison's regulated subsidiaries, CECONY and O&R, maintain strong but separate health and safety programs. The major elements of their programs – and recent safety performance – are described in the sub-sections below.

The Safety Management System

Consistent with CECONY's commitment to excellence in safeguarding its employees and the public, special emphasis was placed on communicating all aspects of the company's Safety Management System (SMS) during 2003. This SMS is intended to enhance employee awareness of safety issues. In addition, the SMS will be used to develop measures to improve CECONY's overall safety performance. Broadly patterned after CECONY's effective Environmental Management System, the SMS serves as a full-spectrum resource in the pursuit of an injury-free workplace.

The overall SMS is made up of 13 major categories, each addressing a different aspect of working safely. These are:

Standards – Safety and health considerations are an integral part of CECONY's business practices, and all employees are held accountable for knowing the requirements that apply to their work. The six key EH&S objectives serve as the cornerstone for strategic planning and goal setting.

Procedures – These consist of written rules and regulations, Corporate Safety Procedures (CSPs), Corporate Safety Instructions (CSIs), and provisions for monitoring their use and effectiveness.

Communication – Free and open communication builds a dialogue among employees, allows sharing of experiences, and supports creation and maintenance of a safe work environment. Communication includes regular safety meetings, local safety gatherings, publications, intranet resources, monthly videos, and labor/management committee meetings.

Training – From courses at The Learning Center to on-the-job instruction, training is essential to working safely. Job-title and job-specific training requirements are listed in an online Web site, and training effectiveness is monitored by the CECONY EH&S training committee, which also develops recommendations to improve training effectiveness.

Performance Monitoring – Using the Safety and Health Information Management System (SHIMS), health and safety incidents are tracked. This information is used to prepare monthly safety reports. In

addition, trends are analyzed to determine likely causes of problems and identify opportunities for performance improvement.

Risk Management – Risk management teams made up of representatives from EH&S, engineering, and operating groups carry out an ongoing program of risk identification, risk prioritization, and development and implementation of risk-control measures. (See Section 2 for details.)

Auditing – Compliance audit programs provide a comprehensive health and safety review using ongoing scheduled and unannounced inspections. Management system inspections are also conducted to evaluate effectiveness throughout the corporation and within specific operating units. (See Section 4 for details.)

Performance Improvement – To improve safety performance throughout CECONY, the SMS incorporates the results of safety audits, lessons learned on the job, root-cause analysis of incidents, recommendations for enhanced procedures, self-assessments, and defined goals for both corporate initiatives and business-unit programs.

Rewards and Discipline – Structured systems are keyed to the principle that all employees are responsible for implementing the safety and health requirements that apply to their jobs. (See Section 2 for details.)

Reporting Without Retaliation – An array of options is available for employees to openly express concerns about potentially unsafe or hazardous conditions. Every employee can call a “time out” to stop work if a safety, health, or environmental question arises. All employees have unlimited access to an Ethics Helpline, corporate ombudsman, and independent monitor to report concerns anonymously.

System Oversight – In depth, ongoing monitoring and evaluation is provided by the EH&S Committee of the CECONY Board of Trustees, the Environmental Quality Review Board, the Environment and Safety Committee, corporate EH&S staff, the EH&S Leadership Team, and field EH&S personnel. (See Section 2 for details.)

Emergency Preparedness and Response – CECONY has an established program to mobilize and manage resources in case of incidents and emergencies. (See Section 4 for details.)

Job Site Protection – The SMS recognizes the job site as the front line for safeguarding employees at work. Specific safety measures include job briefings, job safety analysis, equipment preparation and energy-isolation processes, personal protective equipment, and contractor safety programs.

Programs and Procedures to Work Safely

At CECONY, standard safety procedures – called Corporate Safety Procedures – have been developed to translate applicable regulations, industry standards and CECONY policies into CECONY’s operations. In addition, where necessary, specific instructions have been prepared for workers – called General Safety Instructions – to specify how to conduct specific operations safely and in compliance with applicable standards.

CECONY uses contractors, as required, to support field operations throughout the service territory. CECONY has established a vigorous Contractor Management Program to ensure that these contractors work in compliance with applicable health and safety regulations and in conformance to job-specific Health and Safety Plans (HASPs) that contractors must prepare and have approved by CECONY EH&S representatives. The Contractor Management Program is described in [Section 6](#) of this report.

CECONY operating organizations recognize employees for outstanding safety records. Employee groups that work for extended periods without a lost-time incident typically are rewarded with certificates, special breakfasts/lunches, or small gifts (e.g., coffee mugs, shirts).

O&R also maintains comprehensive health and safety programs and procedures. The Environmental Health, Safety and Training Department is responsible for development and maintenance of the Employee Safety Manual, a guide for workplace safety requirements and actions for all O&R employees. All employees are educated in the manual contents by their supervisors.

Contractors who work for O&R are required to comply with the company's safety programs in addition to all government regulations.

O&R's Safety Recognition Program recognizes employees for not having an OSHA recordable occupational accident or a preventable vehicle accident during a quarter. Employees not having either of these accidents for a quarter are eligible for various prizes using a lottery format. If there is a 10% or greater reduction in OSHA recordable accidents, the number of prizes increases. There also is spot recognition for top safety performers.

Comprehensive Training Helps Employees Work Safely

Both CECONY and O&R provide health and safety training to employees in a number of ways. Through The Learning Center, CECONY instructors provide training to employees on safety procedures as well as safe methods for conducting operations activities. The Learning Center maintains sophisticated teaching laboratories to facilitate training employees in operations such as splicing, meter repair and incipient-stage fire fighting, among other activities.

CECONY EH&S employees from The Learning Center, Corporate EH&S, and operating organizations developed a new method of training through the OSHA Millennium Program that dramatically increases interest and stresses participation over lecture, thereby increasing employees' comprehension of safety and health issues. All field employees (i.e., about 9,000 employees) receive eight hours of OSHA Millennium training each year.

In addition, workers receive formal OJT that tailors safety and operational procedures to individual facilities (e.g., responsibilities during emergency situations at the facility). CECONY maintains a comprehensive information management system called *The Training System* to track the training courses taken by each employee (including any required annual refresher training) against the training plan established for each employee by his or her supervisors.

At O&R, the Environmental Health, Safety and Training Department provides safety training covering applicable regulatory standards in cooperation with local management. The Department also coordinates safety seminars for public organizations, police academies, fire departments and rescue teams on safe practices when responding to emergencies at electric and gas facilities.

O&R has instituted a special Employee Enhanced Safety Program to provide tailored safety education and training to employees who have incurred repetitive occupational accidents. A review of the employee's accident history is performed to determine courses of corrective action to prevent the recurrence of accidents and/or injuries.

In 2003, O&R continued an accident and injury reduction program called "Ergo Power." The program is designed to prevent or reduce sprain/strain-type injuries by demonstrating unsafe habits that employees may have developed over the years. Employees are trained in proper body mechanics and appropriate

actions to use when performing their jobs. The training is based on actual routines and hazards encountered in the field. Part of the program is a training video of a site development covering the actual routines and hazards using employees from the department.

Communicating EH&S Messages

CECONY understands that the importance of safety must be communicated to employees constantly and in a variety of ways. All safety procedures are available on the intranet site. Hard copies of appropriate safety procedures are maintained on CECONY service trucks. First-line supervisors routinely conduct safety talks to their workers on a variety of safety issues. In addition, supervisors typically conduct job briefings (including safety and health issues) prior to the start of field projects.

In addition, EH&S managers from the field and Corporate EH&S (along with representatives from other groups such as Legal and Auditing) attend a bi-monthly meeting to talk about operational and EH&S topics, to review compliance and specific events, and to receive updates on regulations and procedures. Also, CECONY produces and issues a monthly 15-minute video called *The Excellence Files*, covering health and safety issues, special features, descriptions of any recent EH&S-related incidents and environmental topics. This video is available to all employees.

In local organizations, there are EH&S breakfasts and monthly EH&S Committee meetings throughout the year to help celebrate achievements, review lessons learned, and focus on EH&S performance.

Effective communication is a two-way street. CECONY encourages employees to inform their managers of any unsafe conditions or risky situations that could result in accidents or injuries. Management and union employees have implemented a *Close Call Program*, providing a formal network to report situations where accidents or injuries were narrowly avoided. Employees reporting Close Calls generally are immune from any disciplinary action; lessons learned typically are communicated throughout the employee's organization and corrective actions are taken as required.

O&R has a similar program to Close Calls called the No-Injury Incident. Any employee who sees or experiences a near miss that could have caused an accident and/or injury is encouraged to notify management, utilizing a special reporting form. The program and report process will enable investigation into workplace hazards before they result in an accident or injury.

Other ways in which O&R communicates safety messages include health and safety training programs, skills training programs, daily job assignment briefings by supervisors and crew chiefs, safety-related messages in most issues of the weekly employee publication, *Currents*, a safety briefing and video presentation for all Mutual Aid crews from other utilities working on storm damage repairs, animated safety messages on electronic bulletin boards throughout the facilities and "Safety Grams" - documents distributed to employees on such issues as recent accidents or seasonal safety concerns.

Special Programs Improve Safety

CECONY recognizes that a company's culture impacts safety performance. Committed participation at all levels, from the executive officer through the general utility worker, is essential in building a positive safety culture. To showcase the commitment to safety by all employees, in 2003 CECONY held its third annual safety conference, attended by more than 300 union and management participants. Efforts continue to create a sense of shared responsibility for safety performance. CECONY and Local 1-2, Utility Workers Union of America, have developed and sponsored a course designed to provide labor/management accident investigation team members the tools to look at accidents and not to fix blame for them, but to determine the root causes of each accident in an effort to learn from each incident.

The concept of shared responsibility provides the foundation for other safety initiatives. CECONY is realigning its inspection program. Corporate EH&S is working with the operating organizations to establish labor/management teams to plan and conduct safety inspections.

Operating organizations have established approximately 45 labor/management committees with the primary purpose of identifying, evaluating and resolving safety issues. These Committees have proven to be highly successful. Safety issues covered include facility-specific slipping hazards, ergonomic issues and other hazards raised by Committee members. Some Committees conduct facility safety inspections prior to their formal meetings. The committees consist of equal numbers of management personnel and union employees; there are management and union co-chairs. The Committees draw on the expertise of other organizations as they wish. Central Field Services sends a designated representative to most of the CECONY labor/management committee meetings to communicate lessons learned and new initiatives across all organizations.

At CECONY job sites, on any project, any employee is empowered to stop the job, if there is a safety or environmental concern, by calling a *Time Out*. When work stops, the individual can discuss the concern with a supervisor. Using a formal corporate safety procedure, if a resolution is not reached, an EH&S professional can be called in to make a final decision regarding the concern.

In advance of a formal regulatory ergonomics standard, CECONY has developed and implemented a formal ergonomics program that provides a mechanism for any employee to request specific evaluation of his or her work area and associated activities. These activities range from field workers who must manipulate heavy manhole covers to administrative personnel who spend extensive periods of time working with personal computers. The program also provides improved ergonomically designed tools and devices to field workers through employee input and through the investigation of ergonomic-type injuries.

In 2003, CECONY implemented a new web-based information system for employees to access material safety data sheets (MSDS) for chemicals and chemical products in use anywhere in the system.

O&R has developed a device that allows linemen to construct cross arms in a less biomechanically demanding position. This device should improve productivity as well as reduce sprain/strain-type injuries. O&R also developed a Biomechanical Program to reduce injuries associated with the Apprentice Overhead Line School program. As a result, there were no recordable injuries at the school in 2003. The new program has been shared with appropriate personnel in CECONY.

Workplace Safety Performance

In assessing performance, celebrating successes can help reinforce continuous improvement. Celebrating success is one of CECONY's core principles employees embrace as part of "The Way We Work" program. The other core principles are open communication, taking responsibility, continuous improvement, planning the work and working the plan, and working in teams.

CECONY's 2003 safety performance declined significantly from the previous year, as shown in the table on the following page, although it remains less than two percent above the previous five-year average. The Company will use the new Safety Management System to assess where increased effort is needed. In addition, CECONY will increase the focus on safety awareness to all employees in 2004.

In 2003, O&R experienced a 17% decrease in recordable injuries compared to the previous year. Lost Time injuries, which are typically the more serious types of injuries, decreased significantly, by 45%. Key factors that contributed to this improvement include aggressive management of the workers

compensation program, employee training in Biomechanics, overall emphasis on safety awareness and the implementation of Safety Intervention guidelines.

<i>Con Edison Regulated Subsidiaries' Safety Performance</i>						
	1998	1999	2000	2001	2002	2003
CECONY Total Recordable Cases ³	570	464	519	503	429	505
CECONY Incidence Rate ⁴	4.29	3.51	3.87	3.95	3.58	4.33
O&R Total Recordable Cases	N/A	N/A	70	44	58	48
O&R Incidence Rate	N/A	N/A	7.4	4.61	6.03	4.86
Industry Average (Combination Utility Services Incidence Rate ⁵)	7.5	9.0	4.2	3.5	4.7	N/A

³ Recordable Cases: All work-related fatalities and illnesses, and those work-related injuries that result in loss of consciousness, restriction of work or motion (or transfer to another job), or require medical treatment beyond first aid.

⁴ Incidence Rate: The total of all recordable injuries multiplied by 200,000 and divided by the productive hours worked.

⁵ Source: Bureau of Labor Statistics

Section 4: Community Participation and Accountability

Working With Communities to Address Concerns About Our Facilities

CECONY and O&R continually strive to be active and responsive members of the communities we serve. CECONY works closely with community organizations to address concerns associated with changes to its operations. In New York City, CECONY works with community boards to formally address public questions and concerns associated with major new construction, expansions, and shutdowns. State and city regulations, where applicable, mandate the use of a standard process for environmental quality review to ensure that community concerns and questions are appropriately addressed.

The process of working with community boards includes issuing public notices, providing the public an opportunity to comment, and participating in public hearings. Depending on the location, public notices may be made in Spanish or other foreign language newspapers, as well as English language papers. Environmental and community groups such as the Natural Resources Defense Council (NRDC) (<http://www.nrdc.org/>) and the New York Public Interest Research Group (NYPIRG) (<http://www.nypirg.org/>) often participate in these proceedings.

Last year, CECONY continued work intended to replace a 100-year-old steam and electric generating facility in Manhattan by conducting the necessary construction activities in preparation for the installation of environmentally and operationally state-of-the-art equipment at another generating station. (For details, see CECONY's website <http://www.coned.com/errp/>.) A Community Liaison Program was established to provide a formal and cooperative process for community boards and members of the community surrounding the station to seek and receive information from CECONY concerning plans and operations.

Based on voluntary cleanup agreements, and other agreements, with the NYSDEC (<http://www.dec.state.ny.us/>), work is well underway to identify, investigate and remediate, if necessary, the sites of 50 former Manufactured Gas Plants (MGPs) or gasholders. (For details, see CECONY's website www.conEd.com/PublicIssues/manufactured_gas_plants.asp.) Part of that agreement includes the company's pledge to develop a plan to keep the public informed of the nature of the work being performed. This Citizen Participation Plan (CPP) provides interested citizens with information on events that will occur during the investigation, testing and possible remediation process associated with the locations of former MGP and gasholder sites. The plan also is used by state monitors to track public involvement and outreach that is required in accordance with state regulations, such as notifying residents when a site investigation or an Interim Remedial Measure (IRM) has been proposed for a site. NYSDEC has acknowledged that CECONY has the leading program in the state for working with communities in dealing with MGP remediation.

O&R employs a CPP format for major projects, when directed by the NYSPSC, Board of Public Utilities, other government agencies, or as deemed necessary by the company. CPPs facilitate two-way communication with individuals, groups, and organizations that have expressed an interest in a project or are affected by the project activities. These plans detail the citizen participation activities and resulting actions for each project.

Project fact sheets may be prepared describing the planned activities, schedule and neighborhood impact. The fact sheets are distributed to interested parties and translated for people in communities with significant non-English speaking populations. O&R may prepare and distribute fact sheets summarizing the results of activities upon project completion.

O&R publishes quarterly newsletters (*Connections*) to approximately 3,500 community leaders and regularly scheduled billing inserts (*@-Home* for residential customers nine times a year). These publications frequently feature articles about clean/efficient energy programs, environmental and safety issues associated with its electric system's rights-of-way, community volunteerism and the company's award winning recycling, investment recovery and vegetation management programs. O&R also distributes pamphlets on how energy savings and reliability can be improved by the proper planting and maintenance of trees and shrubs that are compatible with overhead wires. Additionally, O&R assists customers with obtaining information on the environmental impact of the electricity they buy from suppliers or generators (i.e., fuel mix, air emissions and plant efficiency). O&R's web site provides similar information.

Since 1996, O&R has proactively sought community input on a variety of issues through the use of consumer advisory panels and focus groups. These panels and groups are key parts of O&R's outreach program; they are activated whenever appropriate.

O&R's Community Relations Department is actively involved in creating community partnerships with not-for-profit agencies, business groups, civic organizations and local governments. The company relies on these contacts as a prime source of information and as a forum for communicating vital information, programs or projects. O&R's Vegetation and Tree Management Program is a prime example of how the company proactively seeks to exchange information with this network of contacts. O&R conducts workshops on herbicide application, tree care and compatible species planting. Partly as a result of this effort, for three consecutive years the National Arbor Day Foundation has named O&R a *Tree Line USA Utility*, in recognition of its national leadership in caring for trees while meeting its service objectives.

O&R also recognizes the importance of supporting the principles of environmental justice. The company has demonstrated this commitment in its ongoing remediation program for its MGPs. The MGPs were operated by O&R's predecessors and demolished years ago. Some have not been in service for over 100 years. O&R initiated its first major MGP remediation project in 2002. This project was undertaken in a lower income, minority neighborhood. O&R implemented a comprehensive CPP to inform the community of the scope of the work and detail the underlying conditions. These efforts included public information meetings, an Open House at the site, and extensive interaction with local officials. Recognizing the language barrier in this minority neighborhood, O&R hired a translator to assist with both door-to-door and public meetings. All communications, fact sheets and site investigation reports were translated into Spanish and distributed along with English versions.

Volunteers for Our Community

CECONY employees volunteer their time and energy to support a variety of community initiatives. Between 600 and 800 employees are actively involved in the Employee Volunteer Program, which is coordinated by Public Affairs. This program focuses volunteer efforts on community education and environmental initiatives.

For example, based on an employee initiative that began in 1996, a community has focused on revitalizing the Bronx River (<http://www.bronxriver.org/>). This has involved periodically cleaning debris from the banks of the river, as well as helping to form the Bronx River Alliance, a coalition of more than 60 community groups, government agencies, schools and businesses. Today, Con Edison supports the Bronx River Alliance initiative, which encourages canoe trips down the River.

In addition, CECONY built and maintains ball fields adjacent to the East River Generating Station that are used by community groups, particularly for youth baseball and other sports. Staten Island overhead crews volunteered to replace bulbs and fixtures at several Little League fields on Staten Island.

Other environmental initiatives, where employees beautify, clean up, and revitalize specific areas (e.g., parks, schools, campsites), include:

- Fresh Air Fund (<http://www.freshair.org/>)
- American Littoral Society (<http://alsnyc.org>)
- New Yorkers for Parks (<http://ny4p.org>)
- New York Cares (<http://www.nycares.org/>)

CECONY encourages volunteerism through articles celebrating volunteers' efforts and successes posted on the intranet website and in publications such as the *Con Edison Times*. Opportunities to volunteer for a variety of community initiatives throughout the service territory are frequently posted on the intranet website and in monthly publications.

Occasionally, Public Affairs includes brief articles on employee volunteer efforts in *Customer News*, which is included with our customers' utility bills. Feedback from the organizations helped by our volunteers indicates that a number of customers subsequently volunteer as a result of these news articles.

O&R also encourages its employees to participate in a wide variety of community activities, including programs designed to improve environmental quality and foster environmental stewardship. For example, O&R supports employee participation in programs that promote environmental stewardship, such as the Girl Scouts, Boy Scouts, 4-H Clubs and Conservation Associations, through the Employee Grant Program and the Employee Matching Gifts Program. O&R uses its internal publication, *Currents*, a weekly employee publication, and its electronic information kiosks, *The E-Board*, and the company Intranet site to promote these programs.

Sponsoring Environmental Activities in Our Communities

CECONY and O&R are active in community-oriented environmental activities. In addition to giving corporate support to more than 50 environmental organizations, large and small, CECONY actively participates in community-oriented environmental activities through community relations programs and sponsorship of events throughout the year. CECONY partners with a number of environmental organizations to provide curricula and materials for use in schools for science projects, nature projects, and energy conservation. These organizations include the Audubon Society (<http://www.audubon.org/>), The Council on the Environment (<http://www.cenyc.org/>), Horticultural Society of New York (<http://www.hsnyc.org/>), and the National Wildlife Federation (www.nwf.org).

Our support of Queens College's Project GLOBE (<http://qcpages.qc.edu/qcglobe/docs/globestars.pdf>) continued and expanded in 2003. This international program seeks to improve the teaching and learning of science, based on the premise that students best learn science by doing science. Global Learning and Observations to Benefit the Environment (GLOBE) was founded by federal agencies such as NASA and the National Science Foundation to bolster U.S. students' science education. Queens College is the only GLOBE learning center in southern New York. CECONY's continued support has helped the program to train teachers from schools across Brooklyn and Staten Island.

CECONY maintains a strong relationship with the Wildlife Conservation Society (<http://wcs.org>), an organization that manages the Bronx Zoo, the Central Park Zoo and the New York Aquarium, among others. CECONY maintains a corporate membership in the Society so that all employees and their

families may enjoy the various wildlife exhibits without charge on designated Corporate Weekends. CECONY volunteers work with the Wildlife Conservation Society to build holiday light displays each winter. In addition, Con Edison's Chairman serves on the Society's Board of Trustees.

Trout in the Classroom is a new environmental education program funded by CECONY in 2003. Coordinated by Theodore Gordon Flyfishers, Inc. (<http://www.tgf.org/>), and supported by businesses and federal and state agencies, the program teaches students the importance of maintaining clean, cold, moving water in New York's watershed areas. Participating schools are provided with aquarium equipment in which students raise trout from eggs provided by state hatcheries for eight months and then release them into upstate streams.

A new Audubon Center run by Brooklyn Prospect Park Alliance (<http://www.prospectpark.org/>) houses a special classroom known as the "Con Edison Discover Nature Theater." CECONY supports this learning center, a comprehensive environmental education hub with special focus on children.

In 2003, CECONY sponsored, for the eighth consecutive year, the *Green Horizons* conference, which was held in Van Cortlandt Park in the Bronx to teach middle school youngsters about careers in natural resources and environmental science. Students from 45 schools throughout the City visited 22 stations offering activities in soil science, entomology, field ecology, horticulture, woodland restoration, animal ecology and conservation planning.

CECONY also sponsored the New York City Envirothon that is organized by the New York City Soil and Water District. High school students from all five boroughs participate in scientific experiments that were held in Prospect Park in Brooklyn. CECONY also supports the solar classroom at Stuyvesant Cove Park in Manhattan. Students from all over the city receive environmental education programs in this natural setting.

CECONY co-sponsors the annual Water Conservation Art and Poetry Contest, conducted among fifth and sixth graders from public, private, and parochial schools throughout New York City on original works of art and poetry that relate to water conservation, water quality, wastewater treatment and the history of the City's water supply system. The New York City Department of Environmental Protection (NYCDEP) (<http://www.nyc.gov/html/dep>) conducts the contest; last year, the NYCDEP Commissioner presented awards to more than 300 students from over 100 schools.

On America Recycles Day, hundreds of people, including school children, attended a celebration at CECONY's Learning Center and enjoyed creating robots from scrap computer parts and cardboard and playing games with a recycling theme to win prizes.

O&R makes grants available to community-based organizations for educational, environmental, cultural or public safety programs including the following:

Keep Rockland Beautiful – O&R is the largest corporate sponsor of this organization dedicated to keeping public areas clean, and an O&R employee serves on its board of directors.

United Way Day of Caring – O&R employees participate in community improvement and cleanup projects affiliated with this United Way program. Employees are released from their normal assignments for this daylong event.

Arbor Day Celebration – O&R participates with local schools and other organizations in providing students with information, trees and tree seedlings to celebrate Arbor Day.

Open Space Initiatives – O&R maintains a forestry preserve in Sullivan County, NY. O&R permits employee and visitor access to this vital woodland and watershed area. The property is a winter

sanctuary for numerous bald eagles. In addition, O&R has deeded vast tracts of land from this property to the State of New York for parkland.

Downtown Revitalization Projects – O&R is actively engaged with local communities seeking to beautify downtown areas, serving on committees and providing technical expertise as needed. In addition, the company is working with a village to create a vest pocket park on excess company-owned land.

Selected organizations receiving support from CECONY are listed on the following page.

Selected Organizations Receiving Support from CECONY

<p>Alley Pond Environmental Center, Inc. American Littoral Society American Museum of Natural History Bank Street College of Education/Tiorati Workshop Battery Conservancy Bay Improvement Group, Inc. Beczak Environmental Education Center, Inc. Bloomfield Conservancy Broadway Mall Association Bronx River Alliance Brooklyn Botanic Garden Brooklyn Bridge Park Coalition Brooklyn Center for the Urban Environment Brooklyn Children’s Museum Brooklyn Technical Research Foundation Central Park Conservancy Cherry Tree Association City Parks Alliance City Parks Foundation Classroom Inc. College of Staten Island Foundation Community Environmental Center, Inc. Council on the Environment of New York City Earth Celebrations, Inc. Earth Day New York Earth Watch Institute Environmental Education Advisory Council Floyd Bennet Garden Association Fort Tryon Park and the Heather Garden Committee Fresh Air Fund Friends of Alice Austen House, Inc. Friends of Hudson River Park Friends of Palisades Interstate Park Commission Friends of the High School for Environmental Studies Friends of Pelham Bay Park Friends of Van Cortlandt Park, Inc. Gowanus Canal Community Development Corp. Green Guerillas Greenbelt Conservancy, Inc. Historic Hudson Trust of New York City Historic Hudson Valley Horticultural Society of New York, Inc. Hudson River Environmental Society Hudson River Museum of Westchester Hudson Valley Regional Envirothon Inform, Inc. Jay Heritage Center Lower East Side Ecology Center Madison Square Park Conservancy Magnolia Tree Earth Center Medger Evers College Environmental Conference Mercy College EH&S Management Program National Academy of Engineering Technology & Environmental Program</p>	<p>National Audubon Society National Wildlife Federation The Nature Conservancy of New York Neighborhood Open Space Coalition New York Botanical Garden New York City Department of Environmental Protection New York City Soil and Water Conservation District New York Landmarks Conservancy New York League of Conservation Voters New York Parks and Conservation Association New York Restoration Project New York State Envirothon Committee New York Water Environment Association New York Zoological Society/Wildlife Conservation Society New Yorkers For Parks Ninth Street Garden and Park, Inc. NYS Urban and Community Forestry Council Olana Partnership Phipps Community Development Corporation Pleasant Village Community Gardens, Inc. The Point Community Development Corporation Prospect Park Alliance Queens Botanical Garden Queens College Foundation, Inc. Queens County Farm Museum Randall’s Island Sports Foundation Research Foundation/Project Stir Resources for the Future Rev. Linnette C. Williamson Memorial Park Association, Inc. The River Project Riverdale Nature Preservancy, Inc. Rocking the Boat Saint Joseph’s College/Gifts of the Earth Scenic Hudson, Inc. Seton Falls Park Preservation Coalition South Queens Park Association Staten Island Botanical Garden, Inc. Staten Island Institute of Arts and Sciences Staten Island Zoological Society Sustainable South Bronx Take-a-Kid-Fishing, Inc. Teatown Lake Reservation, Inc. Theodore Gordon Flyfishers, Inc. Trees New York The Trust for Public Land United Way Urban Divers Wave Hill, Inc. West Harlem Environmental Action West Side Community Garden, Inc. Yonkers Downtown Waterfront Development Corp.</p>
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Emergency Response Planning

CECONY has developed comprehensive emergency response plans to address potential incidents that could occur at its facilities or associated equipment in the community (e.g., manholes, transformers). The framework used in developing these plans is the nationally recognized Incident Command System (ICS). The ICS is a flexible framework that allows response organizations to expand or contract as the severity of the incident changes.

CECONY works closely with government agencies, response contractors and community organizations to ensure preparedness among all our organizations in case of fires, explosions, uncontrolled spills, threats of violence, weather emergencies and system upsets. This coordination proved invaluable during CECONY's response to the World Trade Center terrorist attacks, East River Substation fire and the Northeast Blackout, all of which were full-scale corporate emergencies.

The Emergency Management Department was established to facilitate responses to emergency situations throughout the service area, ensuring that responses to incidents and emergencies are organized and managed consistently and effectively. The department provides liaison officers to interact with government agencies during severe emergencies and arranges for subject matter experts to support operating organizations that are responsible for managing responses to incidents and emergencies within their assigned areas. They also maintain a roster of ICS trained employees to respond to full-scale events at the Corporate Emergency Response Center command post. In addition, the department specifies training requirements for individuals expected to manage or participate in response actions.

The Department works closely with nine Emergency Response Group staff members who work for Electric, Gas, Steam and Substations operating departments. These staff members quickly respond to emergencies in the field where they set up a Command Post, facilitate developing an ICS structure and/or act as a Scribe, Communicator or Liaison Officer at the location. As Liaison Officers they interface with the fire department or other agencies on scene. These interactions have earned three of the nine staff members honorary positions as New York City Fire Department (FDNY) Battalion Chiefs.

The Department serves as CECONY's interface with state and local emergency management organizations, including the New York City Office of Emergency Management (OEM), FDNY, the New York City Police Department (NYPD), the New York State Emergency Management Office (SEMO) and the Westchester County Office of Emergency Services. Representatives of the Emergency Management Department communicate on a regular basis and meet periodically with the above organizations. This open communication provides for open and frank discussions and promotes trust and vital cooperation among these key organizations.

All CECONY facilities will call upon outside responders (i.e., fire and police departments, ambulance services) to deal with medical emergencies, fires, explosions and any uncontrolled releases of hazardous substances (e.g., natural gas, fuel oil). The Liquefied Natural Gas (LNG) facility in Astoria maintains special response equipment onsite for use by FDNY in fighting fires. The LNG facility, like many facilities at CECONY, regularly conducts response drills jointly with local fire departments.

To support New York City in responding to any further terrorist attacks, approximately 100 employees are trained as a part of a Company sponsored biological-chemical weapons response team. These personnel, who are all volunteers, will control electric, gas and steam services, where necessary, in areas contaminated by biological or chemical weapons. CECONY's biological and chemical weapons response team trains with the FDNY every year.

Drills and exercises are an important part of emergency preparedness. An annual drill schedule is developed and carried out as part of the Company's philosophy to "improve continuously" through active realistic learning. The schedule requires major exercises each year covering all operating organizations (in addition to the periodic evacuation and fire drills conducted at all facilities). The City's OEM and the NYSpsc observe and critique exercises involving electric, gas and steam operations. OEM and FDNY can also participate in several CECONY drills each year. Oil spill response exercises are conducted annually. The U.S. Coast Guard, spill response contractors and FDNY frequently participate in these oil spill response exercises.

CECONY's Learning Center is made available to FDNY and other city agencies to conduct response training, exercises and drills. A "Con Ed 101" Energy Systems class is given each year to dozens of outside agencies so they can become more familiar with our energy systems, safety & environmental hazards associated with them and the use of ICS by CECONY. Orientation tours of most facilities have been and continue to be conducted with local fire companies and NYPD Emergency Services Unit. In addition, local fire companies are provided annually with inventories of hazardous substances stored at nearby CECONY facilities, as required by federal, state, and local regulations. To help fire companies respond safely to fires involving company equipment in the street (e.g., manholes, electric overhead equipment, steam lines, and natural gas lines) and certain unmanned substations, CECONY has prepared a series of safety training videos. These videos are being distributed to all fire stations in New York City and Westchester County.

In order to help fire department responders become familiar with the dangers inherent in substations, CECONY arranges for familiarization drills. In 2003, approximately 250 familiarization drills were conducted by CECONY and fire department personnel in substations located in New York City and in Westchester County.

In addition, all fire companies, police departments and other appropriate emergency service personnel have been provided with a brochure, *Important Facts Emergency Responders Must Know About Live Wires*, to help them respond safely to emergencies. Another brochure, *Restoring Your Electric and Natural Gas Utility Service After Tragedy Strikes*, is provided to emergency service personnel and to homeowners and businesses directly where service has been terminated for safety reasons.

Individual neighbors surrounding our facilities typically are not apprised of emergency action plans (i.e., evacuation plans and alarm systems). Community organizations may be given facility orientation briefings and tours upon their request.

O&R Environmental Services Department staff members are trained to respond, supervise, clean up and remediate, if necessary, oil or hazardous substance releases. All staff members are experienced in internal and regulatory notification, sampling, clean-up and waste disposal procedures required to address spills or releases associated with the operation of natural gas distribution, as well as electric distribution and transmission systems.

O&R's Environmental Response/Mobilization plan specifies the process and procedures that the Environmental Services Department will follow to support company response to emergency situations, including spills or releases. The plan details the Department staff's specific duties and responsibilities, including regulatory notifications, incident characterization, protection of personal health and safety, and remediation management. Operations personnel have been trained to the First Responder Operations Level and will respond to a spill or hazardous substance release. Their function is to contain the release from a safe distance, keep it from spreading and prevent exposures to employees and the public. O&R presently contracts outside services to respond and clean up all spills, and dispose of resultant non-hazardous and hazardous waste.

CECONY's resources are also available to support O&R's responses to environmental emergencies.

All of the communities that O&R serve have volunteer fire and rescue departments. These organizations and the other emergency services groups throughout our service territory have been provided with O&R's Electrical Safety Awareness presentation. In addition, these groups have participated in site substation drills, site propane plant drills, tours of the Distribution Control Center, Customer Service Center and all other facilities. O&R provides presentations that focus on the electric and gas systems, response to and recovery from emergency situations and interaction with local emergency groups.

O&R provides emergency response organizations and local hospitals with copies of Contingency Plans that address the types of hazardous wastes/substances managed at specific facilities.

O&R has developed a partnership with the Rockland County Office of Fire and Emergency Services (RCOFES) to assist in the recruitment, retention and development of leadership in the emergency services organizations. Through a combination of financial support, advertising and volunteerism, O&R has made a substantial impact on increasing the number of volunteers in the emergency services.

The partnership with the RCOFES extends beyond these elements to include an arrangement that allows O&R to use Rockland County's *Citywatch System* (Reverse 9-1-1) as a back-up to O&R systems to notify O&R customers of emergency situations.

In addition, all fire companies, police departments and other appropriate emergency service personnel have been provided with a brochure, *Important Facts Emergency Responders Must Know About Live Wires*, to help them respond safely to electric emergencies. Another brochure, *Restoring Your Electric and Natural Gas Utility Service After Tragedy Strikes*, is distributed to emergency service personnel and to homeowners directly whenever service has been terminated for safety reasons.

Section 5: Product Stewardship

Encouraging Energy Efficiency

CECONY and O&R, Con Edison's regulated subsidiaries, continue to implement robust product stewardship programs to encourage energy conservation by residential and business customers. The programs consist of the following elements:

For Business Customers –

- ❖ *Real-Time Pricing*, a rate class that is available to large users of electricity who are full-service customers of CECONY and O&R. Under this program, electricity customers pay hourly retail electric energy rates that reflect the hourly changes in wholesale energy rates. Customers can garner substantial savings over time by installing an Energy Management System or by using various load-curtailement strategies.
- ❖ *Emergency Demand Response*, for customers who can replace at least 100 kW of power from the CECONY grid by using an emergency generator, shedding load, or any combination of these *when the New York Independent System Operator (ISO) declares a power emergency*. Through 2003, CECONY received 55 applications for this program with an estimated load reduction of 13.5 MW. O&R has four customers enrolled with an additional 5.9 MW of load reduction.
- ❖ *Special Case Resources*, for customers who can replace at least 100 kW of power from the CECONY grid by using an emergency generator, shedding load or any combination of these *when the New York Independent System Operator (ISO) declares a power emergency*. Customers will receive a capacity payment rate during each month the customer pledges load reduction to the program. Customers who do not supply the amount of load reduction pledged to the program when called for are subject to financial penalties or reduced incentives. Through 2003, CECONY received 16 applications for this program with an estimated load reduction of 5 MW.
- ❖ *Distribution Load Relief*, for customers who can replace at least 100 kW of power from the CECONY grid by using an emergency generator, shedding load, or any combination of these actions *when CECONY declares a power emergency within a distribution network*. Through 2003, CECONY received 150 applications for this program with an estimated peak load reduction of 96.1 MW.
- ❖ *Day-Ahead Demand Reduction*, for customers who agree to reduce load when wholesale electric market prices exceed a predetermined "strike" price. CECONY would aggregate the load reduction nominations for customers and submit them to the ISO for evaluation. The ISO would accept these load reduction nominations as needed. Customers would receive payment incentives based on forecasted wholesale prices for the load reductions if their nominations were accepted.
- ❖ *Clean Energy Programs*, for customers of O&R's New Jersey subsidiary, Rockland Electric Company. These programs provide rebates to business customers for purchasing high-efficiency equipment such as lighting, motors, and variable speed drives. In addition, Rockland Electric offers design assistance for new buildings to improve their energy efficiency.

For Residential Customers –

- ❖ *Voluntary Time-of-Use*, where customers will be charged for electricity, depending on when it is used. Under this new program, customers can save money by using electricity during off-peak periods when costs are lower.
- ❖ *Direct Load Control*, for customers with central air conditioning who agree to have CECONY replace their thermostats with programmable thermostats that CECONY can control when needed during peak demand to reduce the energy used by the customer's central air conditioning system. Through 2003, approximately 11,511 thermostats have been installed for 9,560 customers. These thermostats represent an estimated peak load reduction of 13.8 MW. O&R has submitted plans for a similar program to the PSC for its review and approval. Once approved, O&R will install a total of 100 additional air conditioner thermostats throughout its service territory.
- ❖ *Clean Energy Programs*, have been implemented by O&R's New Jersey subsidiary, Rockland Electric Company to provide rebates to residential customers for high-efficiency air conditioners, lighting systems, washing machines and other appliances. Customers who install renewable resources such as solar panels also are eligible for rebates. Rockland Electric also provides free information on cost-effective energy reduction measures to low-income customers.

Educating Customers

CECONY educates its customers about energy conservation through the following means:

- ❖ *Media Advisories* – Every spring, all New York City and Westchester media outlets are invited to a press conference outlining the company's preparations for the upcoming summer. The materials include energy conservation information. Throughout the summer, local media assist CECONY in energy education during heat waves. CECONY also distributes summer prep packets to various media outlets, local elected officials and our community partners.
- ❖ *Children's Web Site* – CECONY has established a website for children of all ages. The CECONY Kids Website (<http://www.coned.com/kids>) is a trip for the mind, the eyes, and the ears. The site is a fun-filled, educational trip through the underground maze of wires and pipes and gauges and meters that make up the CECONY system. Characters demonstrate the do's and don'ts of gas and electric safety, and teach all about the history of electricity and gas, the environment and how to save valuable energy in everyday life.
- ❖ *Appliance Guide* – This pamphlet shows customers how to get the best efficiency from existing appliances and helps make energy-wise choices when purchasing new ones. Tens of thousands are distributed annually via the mail and at various events and functions. The *Appliance Guide* may also be viewed, downloaded, or ordered by customers at <http://www.coned.com/customercentral/onlinebrochures.asp>.
- ❖ *Everyday Energy-Saving Tips* – This publication provides homeowners with effective strategies for saving energy year round. *Everyday Energy-Savings Tips* may also be viewed, downloaded, or ordered by customers at <http://www.coned.com/customercentral/onlinebrochures.asp>.

- ❖ “*Customer Central*” *Feature of the CECONY Website* – This feature, which may be accessed at <http://www.coned.com/customercentral>, spells out energy-saving measures customers can put to work in their own homes. It also publicizes a variety of conservation initiatives. More than 5,000 visitors click on to this site every month.
- ❖ *EnergyLine 1-(800)-609-4488* – A toll-free information line for customers that gives energy-efficiency advice and offers booklets and a video.
- ❖ *Customer News* – This utility bill insert contains general conservation messages along with other items of interest. Recent articles covered the New York State Energy Research and Development Authority⁶ (NYSERDA) air-conditioner rebate program and compact fluorescent lamps two-for-one energy-efficient bulb offer, availability of other CECONY energy conservation publications, and continuing updates on the energy situation in CECONY’s service territory. All CECONY customers receive six issues each year. Issues of *Customer News* are also available online at <http://www.coned.com/customercentral/customernews.asp>.
- ❖ *Energy Savers* – This O&R pamphlet provides customers with tips on energy conservation through weatherization, landscaping and more cost-conscious appliance use.
- ❖ *Home Energy Guide* – This pamphlet, prepared by O&R, provides a comprehensive listing of programs and services including Switch & Save, storm preparedness, electrical safety, community involvement and volunteerism.
- ❖ *Radio Advertising* – CECONY and O&R periodically produce radio ads encouraging listeners to conserve energy. These ads reach nearly 100 percent of their customer base.
- ❖ *Print Advertising* – CECONY and O&R place ads in major dailies and over 300 local and ethnic newspapers during our energy-efficiency educational campaign during the summer months.

Making Green Power Available

Con Edison's unregulated subsidiary, Con Edison Solutions, offers both commercial and residential customers the option of purchasing "green" power. *Green Power* is clean, 100% renewable energy generated from wind farms and low-impact hydro facilities within New York State that is now available to all residential, commercial, industrial and government energy users in New York City, as well as Westchester, Rockland, and Orange counties. Residential and small business customers have the option of choosing electric power composed of 25% wind power and 75% low-impact hydropower. Commercial customers can choose to incorporate from 1% to 100% wind power into their power mix.

Con Edison Solutions *Green Power* is Green-e certified, which is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products. In the past year, NYSERDA supported the Con Edison Solutions *Green Power* initiative by providing funding for marketing support. Con Edison Solutions plans to further promote *Green Power* in New York and seeks to introduce it in new markets.

⁶ NYSERDA (<http://www.nyserdera.org>) is a public benefit corporation created in 1975 by the New York State Legislature. NYSERDA administers New York Energy\$martSM, which is designed to support certain public programs during the transition to a more competitive electricity market. The Program provides energy efficiency services, including those directed at the low-income sector, R&D, and environmental protection activities.

Using Energy Services Safely

The environmental and safety impacts of electricity, natural gas and steam are well known. CECONY encourages customers to use these energy services safely through periodic safety articles mailed in bill inserts and in a pamphlet on gas safety.

CECONY tracks injuries to members of the public due to the company's infrastructure. These injuries are reported to the New York State PSC. During 2003, approximately 117 members of the public sustained injuries related to the electric system. Roughly 80% of these injuries, including four fatalities, were associated with vehicle accidents in which a utility pole was struck. The other injuries resulted from manhole fires and explosions, electrical shocks, and vandalism. CECONY is exploring ways to protect the public from injuries, including using fiberglass utility poles in certain high-risk locations (rather than wooden poles) and installing non-metallic manhole covers on a trial basis to help prevent electric shock incidents.

Orange and Rockland's web site www.oru.com features a section for children in grades 3 – 8 on electrical safety. The Electrical Safety World portion of the website is designed to help students learn electrical safety through a variety of activities and games. The website is designed to provide lesson plans for teachers and features a Home Safety Audit program for students. For students in grades 9-12, O&R has purchased electric safety videos for donation to local school districts upon request. Every year the school districts are sent letters reminding them of the availability of both the website and the videotapes.

Challenges and Successes

A continuing challenge of product stewardship is to encourage customers to use energy more efficiently. CECONY is constantly looking for new ways to educate customers on energy conservation and energy management.

A recent success story involves an initiative to help homeowners use up to 40 percent less energy. CECONY, along with other electricity distribution utilities in New York State, fund the New York Energy Smart Program, administered by NYSERDA. Recently, the U.S. Environmental Protection Agency named NYSERDA winner of the Energy Star 2002 Excellence in Existing Homes Award. This award was given to NYSERDA for its outstanding commitment to saving energy and reducing greenhouse gas emissions by developing the nation's first state-wide network of Certified Home Performance Contractors and service delivery system to help homeowners make their homes more energy-efficient, comfortable and safe.

Section 6: Supplier Relationships

This section describes CECONY's supplier relationship programs.

Fuel Suppliers

CECONY purchases low-sulfur fuel oil, natural gas and electricity from outside suppliers. The natural gas and low-sulfur oil that CECONY uses to generate electricity and steam are critical to maintaining air quality in our community. CECONY uses no coal at its electric and steam generating stations.

Suppliers of Other Goods and Services

CECONY has established a vigorous program to incorporate EH&S criteria into the purchase of chemical products, equipment, supplies and services. All chemical products must be reviewed and approved by Corporate EH&S before they can be purchased for use. This review consists of industrial hygiene, air pollution control, recycling/reuse potential and waste disposal characteristics. More than 300 new chemical products are reviewed each year.

New equipment and supplies with significant EH&S-related aspects must be evaluated and approved by special committees consisting of representatives from field organizations and Corporate EH&S. Examples of equipment that must be approved are flame-retardant garments, respiratory protection equipment, tools, safety glasses and hard hats.

For purchased services, CECONY utilizes a New Contractor Oversight System. Under this System, CECONY carefully considers service contractors' EH&S programs during the contractor selection process. During contract implementation, CECONY monitors contractors' compliance with their EH&S programs. Formal corporate environmental procedures are in place mandating this program. Elements of the contractor selection and monitoring program include the following:

- ❖ Pre-qualifying all contractors who bid for work.
- ❖ Requiring the development of environmental, health and safety plans (eHASPs).
- ❖ Monitoring contractor performance, including field inspections.
- ❖ Evaluating contractor performance, including formal "report cards."
- ❖ Evaluating contractor incidents and taking disciplinary action.
- ❖ Empowering contractors to call a Time Out.

CECONY provides the following to help our contractors maintain compliance with applicable EH&S regulations and to meet CECONY EH&S requirements:

- ❖ Training programs for contractors on eHASP preparation;
- ❖ EH&S guidance manuals for contractors; and
- ❖ A quarterly Purchasing Department newsletter on EH&S issues for contractors.

CECONY maintains a system called *Action Line* for reporting potential contractor EH&S violations and risks. All reported *Action Line* reports are investigated and acted upon, including taking disciplinary actions, where appropriate.

Section 7: Energy Acquisition, Conversion, Distribution and Sales

Electric Generation

Con Edison maintains a limited portfolio of generation assets. CECONY has divested the vast majority of its electric generation capacity over the past several years in compliance with New York State electric utility industry restructuring requirements. Last year, CECONY generated only 2% of the total electricity delivered in its franchise area. CECONY uses natural gas and low-sulfur fuel oil to generate its electricity.

O&R sold all of its electric generation capacity in 1999. Con Edison Development owns and/or operates a number of generating units, including peaking units.

Electric Transmission

Practically all the transmitted electricity is purchased from sources not owned by CECONY and dispatched by the New York Independent System Operator (ISO) – much of it on a daily basis, depending on the peak demand for electricity. CECONY cannot track or control the energy sources used to generate the electricity purchased, although the primary sources of that energy are varying combinations of oil, hydroelectric, nuclear, natural gas and coal.

Con Edison practices Integrated Vegetation Management (IVM) on its transmission line Rights of Way (ROWs). CECONY incorporates the five basic elements of IVM into its practices, including:

- Preventive measures – encouraging uses of the ROWs or activities that will prevent establishment and growth of trees.
- Biological controls – encouraging low-growing vegetation communities that, through competition for water, light, or nutrients, prevent undesirable species from becoming established.
- Monitoring – regular checking of the ROW to ensure early detection of undesirable species, and evaluating the effectiveness of past control measures.
- Assessment – determining the potential for pest populations to reach an intolerable level.
- Control measures – selecting appropriate control measures for the levels and types of infestations. (Control measures used by CECONY include mechanical cutting, stump treatment, basal treatments, low- and high-volume foliar spraying.)

CECONY's Right-of-Way Management Plan, filed with the NYSPSC, incorporates IVM as follows:

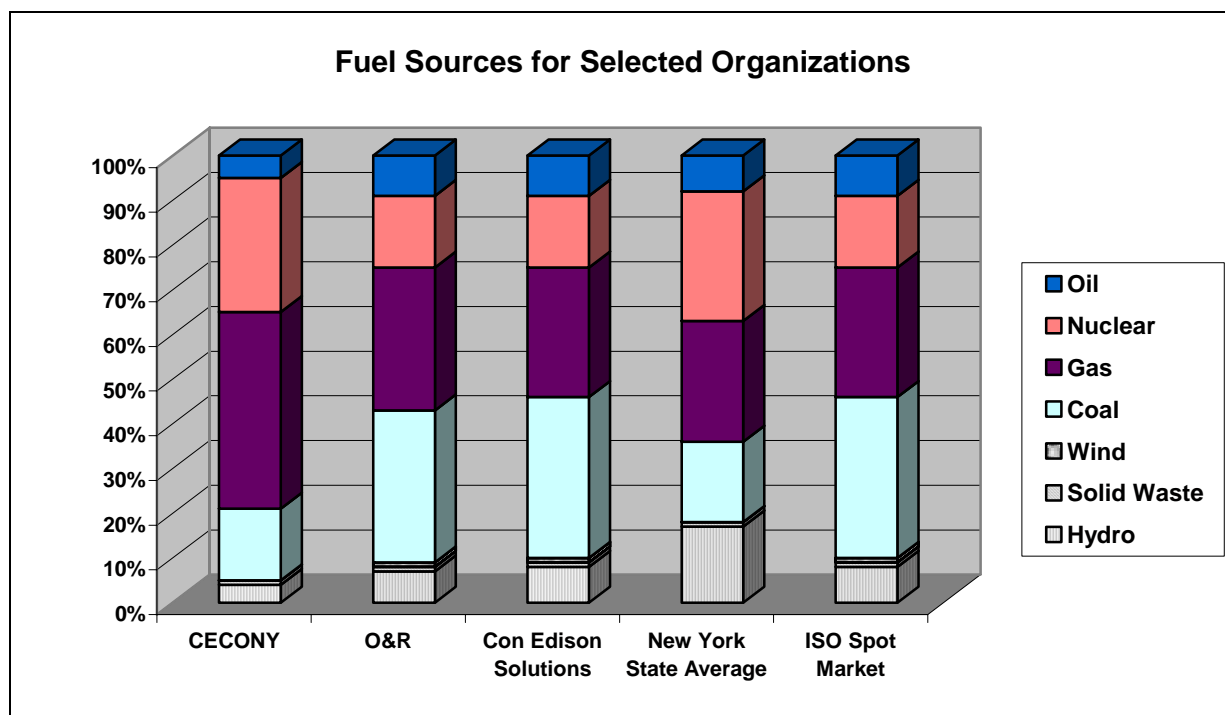
- ❖ Limited application of herbicides in wetland areas.
- ❖ Application of herbicides in low volume.
- ❖ Limited specialized use of broadcast spray methods.
- ❖ Permits the removal of undesirable trees in wetland areas.

The greatest measure of protection against electrical hazard is that the vast majority of transmission and distribution lines are underground. CECONY uses standard security measures such as fencing, warning signs, anti-climbing shields and locked access points to protect the public from electric hazards. In addition, CECONY periodically includes electric power line safety reminders as bill inserts. CECONY's Electric Operations installs squirrel guards and bird guards on transformers and other electric overhead equipment connections where appropriate.

Although there is no conclusive evidence that electric and magnetic fields (EMF) present health risks, CECONY is very sensitive to public concern regarding EMF. Accordingly, the company has been designing its new substations to reduce their potential EMF levels outside the facilities. The company shares EMF information with communities in the planning stages of substations. CECONY also supports EMF research through the Electric Power Research Institute and actively monitors EMF research and other EMF activities worldwide.

Electric Distribution

The latest information on fuels used to generate electricity in New York State, compiled by the New York State Department of Public Service, through its Environmental Disclosure Label Program, is illustrated on the following page. The information covers electricity generated April 2002 through March 2003. The chart covers electricity sold to customers by CECONY, O&R, Con Edison Solutions, the overall average fuel source mix in New York State and the fuel sources to generate electricity sold on the ISO spot market. The percentages of the various fuel sources used by each organization did not change significantly from 2002. Energy generated from renewable sources (i.e., wind, solid waste and hydro) are grouped together at the base of the bar charts and presented as patterned areas. Note that solar and solid waste each constituted less than one percent of the energy sold to customers from all selected organizations. The vast majority of the energy sold derived from gas, nuclear, coal and oil. (See <http://www.dps.state.ny.us/EnvDisclosureLabel.html> for updates.)



Natural Gas

CECONY and O&R do not produce natural gas. CECONY purchases gas that it transports and distributes to customers in Manhattan, the Bronx, and parts of Queens and Westchester County. A storage tank for liquefied natural gas (LNG) is located in Astoria, Queens. This tank is constructed and operated to ensure the safety of people in the surrounding area. Boil-off gas is captured and used in the distribution system. For the past four years (including 2003), CECONY Gas Operations has achieved a total OSHA recordable injury and illness rate below the industrial average for a company of its size and

type. For the three-year period through 2002, CECONY Gas Operations received an “Industry Leader in Accident Prevention” Certificate from the American Gas Association. CECONY Gas Operations is being considered for the same certificate this year. Companies are divided into various categories, based on size and number of employees. This year, CECONY reported a combined electric and gas incidence rate and, therefore, was listed by AGA as a “Very Large Combination Local Distribution Utility.” The Gas and Electric Operations OSHA incidence rate in 2003 was 4.24, compared to AGA’s “Very Large Combination” Local Distribution category average of 4.61 (range of 1.57 to 7.98).

CECONY is a charter member of the EPA Natural Gas Energy STAR Program, a voluntary program to reduce the emission of methane, a potent greenhouse gas. In 1999, CECONY was named Distribution Partner of the Year for excellence in program implementation, outreach efforts and promotion of the STAR Program’s economic, safety and environmental benefits. Significant efforts to reduce methane losses in 2003 led to avoided emissions of 3,392 metric tons (3,740 tons). This brings the total estimated avoided emissions since 1994, the first full year of the program, to more than 47,300 metric tons (52,200 tons). These avoidances were due to continuing aggressive efforts in:

- Conducting inspections and maintenance at 270 regulator stations and surface facilities and repairing leaks.
- Identifying and replacing leaking distribution pipeline.
- Inspection and maintenance at compressor stations.
- Re-injecting blowdown gas from high-pressure gas mains.
- Utilizing computerized remotely operated regulators and clocking solenoids to reduce pressure during low demand periods.

In April 2003, the STAR Program awarded CECONY a Certificate of Achievement “for aggressively reducing methane emissions and helping lead the way to reducing climate change impacts.”

CECONY is also removing all mercury-containing gas regulators from customer locations and replacing them with non-mercury spring regulators. Gas regulators are present at virtually every residential and commercial gas customer’s premises. These devices regulate incoming gas to provide correct delivery pressure for stoves, boilers, water heaters, and other gas-fired equipment. Older regulators were manufactured containing varying quantities of mercury at a time before the health hazards of this material were fully appreciated. Several years ago, CECONY instituted a program to remove all mercury-equipped regulators from the premises of its gas customers. Also, working with other utilities, trade associations, and government health and environmental agencies, CECONY sponsored a Mercury Awareness Forum for plumbers to educate them about protecting the public and the environment. By 2003, the company had removed more than 31,000 mercury-equipped regulators. There are no mercury-containing gas regulators remaining in the O&R system.

CECONY has adopted a process to remove PCBs from gas pipes. The use of this treatment allows the pipes to be sold as scrap metal and recycled, reducing the materials going to landfills and providing CECONY with another source of revenue.

O&R has been a member of the EPA Natural Gas Energy STAR program since 1995. The framework of the O&R plan is similar to the CECONY plan.

At CECONY and O&R, leak surveys are performed to detect and monitor leaks on gas mains and services. CECONY replaces approximately 43,000 meters (26.7 miles) of gas mains and services annually. Some mains are steel; they are usually replaced when they become corroded. Others are cast

iron mains that may be replaced for various reasons. O&R also has a bare steel main and service replacement program which uses the results from its leak surveys. O&R is replacing cast iron and certain plastic mains that have a history of gas leaks. Last year, O&R replaced approximately 52,000 meters (32.2 miles) of gas mains and services. Approximately 52% of O&R's gas distribution system is constructed with plastic pipe.

Section 8: Internal Use and Conservation of Natural Resources

A Policy to Conserve Natural Resources

CEI's EH&S policy includes a commitment to conserve natural resources. In the EH&S Strategic Plan, one of the six objectives, "Promote the wise and effective use of natural resources," focuses on conservation. CECONY requires organizations and major facilities to establish and maintain formal pollution prevention plans, characterizing their waste streams and waste management processes. The plans also address specific initiatives to reduce waste generation, reuse waste materials and recycle.

Through its support of the Council on the Environment of New York City (CENYC) (<http://www.cenyc.org>), CECONY has helped to establish centers of energy education and action efforts at city high schools and intermediate schools, whose major focus is on energy and energy conservation. The CENYC has trained more than 1,500 students in the 2002 to 2003 school year to organize almost 50 environmental improvement projects ranging from water conservation and indoor air quality improvement to the preservation of significant natural areas.

Timely information on energy conservation and other environmental issues is also provided at the company's website, www.coned.com. There is also a special children's website at www.coned.com/kids.

In 2003, CECONY developed a pair of comic books featuring DC Comics Justice League super heroes. One comic takes readers on an exciting journey through time to drive home a conservation message. The other promotes electrical safety, and the wise use of energy. More than 1.5 million copies of these comics were distributed through the New York City Department of Education to grammar school and middle school students throughout New York City. Along with the comics, CECONY also provided lesson plans that offered guidance to educators in using the comics to teach their students about environmental responsibility.

Seward Park Steam Conversion

A new steam energy system located in an underground vault at Seward Park Housing Cooperative quietly showcases energy efficiency and reduction of pollutants released to the air. This project was carried out under the auspices of Clean Air Communities (CAC) -- a collaborative of CECONY, the Natural Resources Defense Council (NRDC), the New York State Department of Environmental Conservation (NYSDEC), and the Northeast States Clean Air Foundation (NESCAF).

A host of energy efficiency control measures reduce total energy needed, and curb pollution. The measures include the installation of networked controls and central monitoring, recycling of steam condensation, and more effective shut-off valves, traps, and heat recovery hardware.

Ashok Gupta, director of air and energy programs for the Natural Resources Defense Council, noted, "This project demonstrates the enormous untapped potential for improving air quality through fuel switching and efficiency improvements. Applying this approach to similar systems throughout New York City would be great for the health of all New Yorkers, make us less dependent on imported oil and lower energy costs at the same time," Gupta stated.

The new installation displaces approximately 40 percent of the output from four local residual fuel oil burning boilers with a centralized system that uses 50 percent natural gas in a significantly more efficient manner through the co-generation of electricity and steam. This conversion, together with Seward Park's energy efficiency initiatives, will eliminate 29.8 tons of sulfur dioxide, 23.1 tons of nitrogen oxides, 2.7 tons of carbon monoxide, 3.3 tons of particulate matter and 13, 521 tons of carbon dioxide annually in Manhattan's Lower East Side. In addition, the new system will reduce fuel delivery truck traffic and diesel truck idling in the community.

Low-VOC Coatings for the Astoria Transformer Shop

Each year CECONY’s Astoria Transformer Shop reconditions approximately 150 network-type transformers and returns them to service on the system. To prepare this equipment for a long service life under harsh underground conditions, a durable epoxy coating system is applied to all exposed surfaces. CECONY recently concluded a development and implementation project to reduce the amount of pollutant emissions from the coating process.

Working with the Syracuse-based manufacturer of the coating system, new formulations were developed for coating products that are applied to reconditioned underground equipment. These coatings were designed to be essentially “VOC” free and to have less of an odor than the previously used materials. Throughout the development process it was emphasized that there was a need to have a "worker friendly" as well as environmentally beneficial coating product. Once the new products were available from the manufacturer, Corporate EH&S reviewed all relevant EH&S-related product information. Analysis of the air sampling results from the trial application revealed that all exposure data for shop personnel was within acceptable limits and that the material was suitable for production use in the Shop. These efforts resulted in an improved product that will reduce the Shop's emissions of VOCs by more than 7,000 pounds per year.

Recycling Progress

Over the past several years, CECONY has tracked the usage of selected recyclable products. Progress in recycling these products is presented on the following chart. Overall, CECONY generated nearly \$2.6 million in revenue in 2002 through recycling and resource recovery efforts (e.g., sale of scrap cable as well as scrap iron and steel).

Material/Resource	Amount Recycled, tons			
	2000	2001	2002	2003
Mixed Paper & Cardboard	811	977	1,095	1,165
Scrap Cable	8,600	6,350	7,485	6,934
Scrap Iron & Steel	948	893	871	957
Scrap AC/DC Meters	189	172	139	213
Tin & Aluminum Gas Meters	44	3	18	23
Toner Cartridges	12	9	9	10

O&R’s recent recycling activity is summarized below.

Material/Resource	Amount Recycled, tons	
	2002	2003
Office Paper	1.51	0.81
Corrugated paper	0.22	0.11
Non-Ferrous Scrap	16.5	45.5
Ferrous Scrap	28.9	20.6

Energy Conservation at Company Facilities

CECONY has prepared an Energy Reduction Response Plan covering all facilities to reduce non-essential electrical usage in case of a system or local event that could require an energy reduction response. The steps to be taken include turning off some lighting, operating air conditioners at higher thermostat settings, taking some elevators out of service, curtailing some cafeteria services, and turning off certain computers. Energy-saving equipment is also installed and in use at company facilities on a regular basis. Measures include automatic light shutoff devices, climate control timers, and water conservation equipment.

In addition, CECONY has identified 11 major facilities where a combined load reduction of 2.7 MW can be achieved, a 24% reduction in the facilities' combined peak demand. To measure our ability to meet this goal, meters are being installed that will give real-time load data at 15-minute intervals. These metered facilities can demonstrate CECONY's commitment to participate fully in any load reductions that we may ask of our customers.

CECONY has taken numerous steps over the past several years to decrease the environmental burden associated with employee transportation for work-related and other purposes. These steps target fossil fuel utilization, vehicle emissions, and urban/highway congestion.

CECONY has focused on reducing the use of single occupancy vehicles (SOVs), encouraging the increased use of mass transit, and introducing bi-fuel vehicles. CECONY has relied on both education and procedures to encourage employees to protect the environment by reducing their use of SOVs.

Specific activities include:

- Piloting a compressed workweek schedule in certain organizations, thus eliminating one commuting day for employees who volunteer for the program.
- Permitted flexible hours where operations allowed for it to facilitate/encourage the use of mass transit and car-pooling.
- Developed/distributed employee lists by home and work location to assist in setting up car pools.
- Reduced the number of discounted and/or free parking spaces at company locations to discourage the use of SOVs.
- Introduced and subsequently expanded the use of bi-fuel vehicles.
- Allowing employees to use pre-tax dollars to pay for qualifying transit expenses (e.g., subway fare cards, commuter railway passes) and qualifying parking expenses (e.g., use of a parking facility at a mass transit station). Currently, 1,679 employees use pre-tax income for transportation-related commuting costs, and 367 employees use pre-tax income for qualifying parking expenses. Employees currently divert approximately \$2.3 million per year of pre-tax income for qualifying transit expenses.

In 2003, CECONY operated alternative-fuel vehicles, including 108 natural-gas-powered vehicles and 18 bi-fuel vehicles (natural gas/gasoline) to help reduce air emissions. An additional 199 vehicles were modified to use bio-diesel last year; these vehicles consumed approximately 266,000 gallons of bio-diesel fuel.

Section 9: Emissions and Wastes

This section describes emissions and waste management for both CECONY and O&R. Air emissions from Con Edison Development facilities also are presented in this section.

Air Emissions

As part of its operations—principally distribution of natural gas, substation operations, and the combustion of fossil fuel to supply its steam system — CECONY generates airborne emissions. Climate change attributed to “greenhouse” gas emissions has emerged as an issue of worldwide concern over the past several years. In 2001, CECONY began a company-wide inventory of its greenhouse gas emissions.

CECONY emissions to the air over the past three years are presented below.

CECONY Air Emissions, kkg				
Constituent	2000	2001	2002	2003
Carbon Dioxide (CO ₂)*	3,140,000	3,270,000	3,720,000	3,330,000
Methane (CH ₄)	15,500	15,400	13,800	11,900
Carbon Monoxide (CO)*	945	942	958	920
Sulfur Hexafluoride (SF ₆)	114	117	102	97
Volatile Organics (VOCs)*	135	124	119	121
Nitrogen Oxides (NO _x)*	4,610	4,510	4,062	4,046
Particulate Matter (PM ₁₀)*	483	506	454	481
Sulfur Dioxide (SO ₂)*	3,010	3,140	2,640	2,959

* Covers only stack gas emissions from steam and electric generation.

The principal source of carbon dioxide emissions comes from combustion of the fuels (i.e., low-sulfur fuel oil and clean-burning natural gas in utility boilers) used for generating steam that supplies the steam system in parts of Manhattan, as well as fuel (i.e., refined kerosene) used in combustion turbines to generate electricity. The system efficiency is enhanced through the use of cogeneration at certain locations.

Methane releases are fugitive releases from the natural gas transmission and distribution systems. Similarly, the sulfur hexafluoride emissions are due to leaks from electrical equipment.

There were 307, 448, 345 and 305 opacity exceedances (based on highly restrictive New York City regulations⁷) in 2000, 2001, 2002, and 2003, respectively. These are primarily brief or instantaneous exceedances based on readings from continuous emission monitors. There were 5, 4, 2, and 2 opacity exceedances subject to penalty in 2000, 2001, 2002, and 2003, respectively, based on established New

⁷ New York City opacity regulations are significantly more restrictive than State regulations. City regulations require that continuously monitored opacity measurements never exceed 40% opacity instantaneously and not be 20-40% for more than two consecutive minutes in any 60-minute period. State regulations prohibit opacities exceeding 20% for a 6-minute block period in any continuous 60-minute period. One 6-minute average per hour of up to 27% opacity may be excluded.

York State criteria. Opacity exceedances typically occur during unit start-up or during unplanned unit trips (where the unit comes off-line rapidly).

Note that CECONY divested much of its electric generation capacity in 1999. The above emission totals incorporate the loss of this capacity.

Air emissions for Con Edison Development facilities in 2003 are presented below. These emissions represent the combined emissions from 18 units (e.g., combustion turbines) located at generation facilities in the eastern United States.

<i>Con Edison Development Air Emissions (from all units)</i>				
<i>kg</i>				
NO_x	SO₂	PM 10	VOCs	CO
220	609	104	53	54

Hazardous Waste

The majority of CECONY's hazardous waste consists of lead-contaminated sediment that must be removed from underground structures, such as manholes, in the electric and gas distribution systems. CECONY is completing tests to treat (by stabilization) the sediment in place, rendering the sediment non-hazardous waste when removed from the structures. In July 2003, NYSDEC authorized CECONY to manage stabilized wastes from certain locations as non-hazardous waste. This process change will significantly reduce hazardous waste generation in the future.

Another significant source of hazardous waste is waste contaminated with polychlorinated biphenyls (PCBs), which are regulated as hazardous waste in New York State. CECONY has sampled all distribution, network and substation transformers manufactured before 1979 and has removed from service or retrofilled all such units identified as containing 50 ppm or more PCBs. The company has sought to replace all known PCB transformers and PCB capacitors with non-PCB units. In 2003, CECONY removed from service more than 8.6 kkg (19,000 lbs.) of equipment containing high-concentration PCB (500 ppm or more) and 41.3 kkg (91,000 lbs.) of oil from equipment containing 50-499 ppm. Oil containing 50 ppm or greater PCBs is dechlorinated at a commercial PCB treatment facility and either reused in transformers as dielectric fluid or burned for energy, thereby conserving oil that would have been used as replacement fluid or replacement fuel.

The completion of the transformer retrofill program will result in lower volumes of hazardous PCB-contaminated waste oil in the future.

O&R's 2003 hazardous waste was generated almost entirely from transformers and transformer oil, containing PCBs, from its electric distribution system. Last year O&R replaced 113 transformers. Waste generation was the result of the continued implementation of the Transformer Risk Mitigation Program.

The quantities of hazardous waste manifested off-site for the past five years for CECONY and O&R are presented in the chart on the following page. In 2003, CECONY shipped 8,740 kkg of hazardous waste to commercial facilities, consisting mostly of lead-contaminated sediment from manhole cleanouts. This reflects a 16 percent reduction in waste shipped over the previous year.

Hazardous Waste Manifested Offsite, kkg		
Year	CECONY	O&R
1998	10,900	N/A
1999	16,000	N/A
2000	14,300	37
2001	12,900	89
2002	10,300	68
2003	8,700	36

Hazardous waste manifested offsite in 2003 was managed as follows.

Management Type	CECONY	O&R
Treatment (depending on the specific waste, may include oil/water separation, chemical precipitation, filtration or stabilization)	80.6%	93.0%
Landfill	14.1%	0.1%
Incineration without energy recovery	5.3%	1.4%
Recycling	<0.1%	2.0%
Incineration with energy recovery	<0.1%	3.5%
Total	100%	100%

CECONY investigates the environmental performance of its hazardous waste disposal contractors. Once a contractor has been pre-qualified and approved for use by the company, we evaluate its performance on a three-year cycle through formal environmental audits. See [Section 6](#) of this report for a discussion of CECONY's Contractor Management Program.

CECONY has set aside a reserve for estimated remediation liabilities covering certain sites under major remediation programs, such as Federal and State Superfund sites, former manufactured gas plant (MGP) sites, and those sites covered by a 1994 Order on Consent between CECONY and the New York State Department of Environmental Conservation. As of December 31, 2003, the total reserve was approximately \$153 million.

O&R's environmental reserve (for MGP investigation and remedial work) is \$40 million.

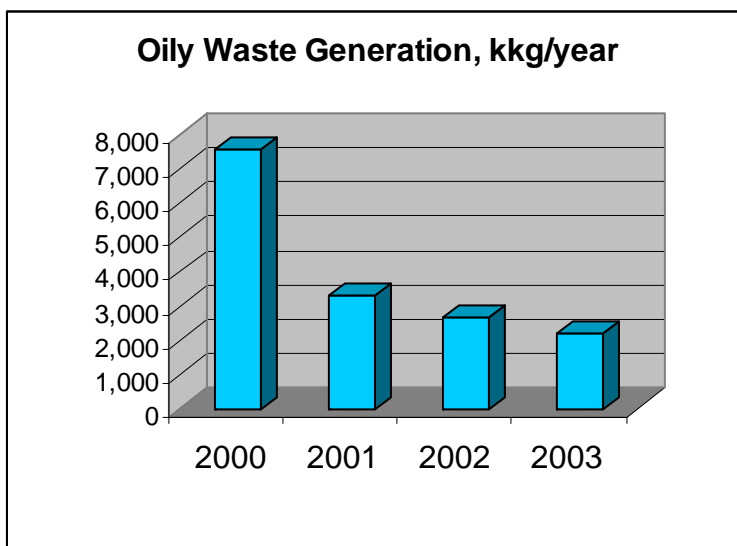
Oily Waste

Oily waste, primarily collected from manholes and underground vaults, is the most significant non-hazardous waste stream generated by CECONY. Oily waste includes used oil, oil and water mixtures, as well as wastewater (containing oil with PCB concentrations < 50 PPM). The key to reducing oily waste is to minimize oil leaks from dielectric fluid pipelines, oil storage tanks and other oil containing electrical equipment by maintaining a strong preventive maintenance program (inspections, oil minder devices⁸, alarms, etc.). In addition, when spills occur, CECONY procedures show employees how to minimize

⁸ An oil minder is an oil-sensing system installed on a transformer vault sump pump that, upon sensing any oil-contaminated water, will shut down the pump to prevent the release of oil into sewers. In an ongoing program, Con Edison has installed more than 2,200 oil minders.

adverse impacts to the environment and to ensure expeditious clean up. Contracts are in place to ensure that most of the contaminated oil is managed as used oil rather than disposed of as waste oil. Used oil is reconditioned/reused or used for fuel blending (energy recovery).

Oily waste (measured as waste transported to treatment and disposal vendors) over the past four years is depicted below. Waste generation has declined primarily because of more efficient separation of water from waste oil in the wastewater treatment facility (described below).



Wastewater Treatment

CECONY uses a state-of-the-art wastewater treatment facility (WWTF) to treat oily wastewater collected from manholes and vaults that may be contaminated with PCBs and solids. Located in Astoria, New York, the WWTF treats wastewater using flow equalization, oil/water separation, ultrafiltration and carbon adsorption technologies. Treated effluent is discharged to a City sewer.

CECONY also operates four facilities (called flush truck facilities) to separate solids from other wastewater found in manholes and vaults. Treated wastewater from these facilities also is discharged to City sewers. In addition, 21 other facilities have State Pollutant Discharge Elimination System (SPDES) permits to discharge treated wastewater (typically by oil/water separation) to waterways. The permitted facilities include six steam stations, eight substations, four tunnels and other types of facilities.

Spills and Releases

At CECONY, spills and releases are tracked using the company's e2MIS information tracking system. A summary of historical spills and releases is presented below.

<i>CECONY Oil and Chemical Spill History</i>				
	2000	2001	2002	2003
<i>Number of Reportable Oil Spills</i>	3,305	1,894	1,876	1,687
<i>Number of Reportable Chemical Spills</i>	6	14	10	8

Most oil spills at CECONY take place in manholes or underground vaults, where they are contained until field crews clean them up. It is important to note that the vast majority of these reported spills are contained and do not enter the environment. The company estimates that “third parties” (i.e., not CECONY personnel) cause approximately 30-50 percent of reportable oil spills into CECONY manholes and underground vaults. They consist of used motor oil, cooking fat, drained grease pits and other sources of oil and grease, as well as other types of waste. Street runoff flowing into manholes and vaults also can result in spills that CECONY must clean up. CECONY is studying new manhole cover designs to help prevent other parties from spilling or discharging wastes into CECONY equipment.

Most spills are less than five gallons. (Spills less than five gallons onto contained impervious surfaces – and cleaned up within two hours – generally are classified as de minimis, and are not reportable.)

CECONY has initiated a major spill prevention program. One key element of the program involves special risk management teams visiting facilities to identify (among other things) areas where the potential for future oil and chemical spills is high and to recommend specific actions to reduce those risks. In addition, a Spill Prevention Group has been established within Corporate EH&S to investigate past spills, to conduct root cause analyses, and to determine common causes of spills.

In 2003, there were fifteen releases of transformer oil to municipal and county sewers or to waterways, totaling 399 gallons. In the majority of these releases, the bulk of the oil was contained by catch basins and transformer vaults. The most common cause of transformer releases is corrosion. Thus, the most frequent solution has been replacement of the leaking transformer. Other causes included falling trees, storm damage, and automobile collisions.

Working to Prevent Transformer Oil Leaks

Transformer oil could be thought of as the “blood” of the transformer. The oil serves as dielectric media, an insulator, and as a heat transfer agent; it protects the core and coils from being attacked by chemicals, and prevents build-up of sludge. The oil is also a venue to determining the health of the transformer.

Dissolved gas-in-oil analysis, DGIO, is a method of detecting and determining incipient faults in transformers by analyzing the transformer oil for the presence of dissolved gases. DGIO is performed on all transmission and area substation transformers within CECONY’s system. The frequency of sampling for DGIO analysis is based on size and rating of the transformer. Some transformers are scheduled for annual sampling, others semi-annual, quarterly or more frequently as needed.

DGIO can provide advance warning of developing faults, determination of the improper use of units, status checks on new and repaired units, and detection of faults during the warranty period.

Under normal transformer operating conditions, very little decomposition of mineral oil occurs. However, when a transformer experiences a malfunction, its oil is usually exposed to excessive heat. The heat, such as that due to over current, breaks down the transformer oil. Depending on the nature of the fault and the fault temperature, the oil decomposes into certain key gases.

The DGIO program is estimated to prevent approximately four transformer failures per year. A failure could either be a catastrophic failure, where the transformer is lost and must be replaced, or it could be less severe. The estimated cost for the replacement of an Area Substation transformer is \$1.3 to 1.5 million.

There were 12 leaks of dielectric fluid from high-pressure pipe-type cable in 2003 that released 16,900 gallons to the environment (and subsequently cleaned up). These leaks were caused primarily by pipe corrosion or equipment failure.

CECONY ozone-depleting refrigerant releases over the past four years are summarized below.

<i>CECONY Ozone-Depleting Refrigerant Releases (above reportable quantities)</i>				
	2000	2001	2002	2003
Number of Ozone-Depleting Refrigerant Releases	4	7	5	4
Quantity of Ozone-Depleting Refrigerant Released (kilograms)	271	2,220	164	93

Ozone-depleting refrigerant releases continued their downward trend in 2003. Approximately 90% of the reportable releases in 2003 came from the air conditioning system at one facility in Brooklyn.

At O&R, oil and chemical spills are tracked using a spill database. O&R spills and releases for the past three years are summarized below.

<i>O&R Oil and Chemical Spill History</i>				
	2000	2001	2002	2003
<i>Number of Oil Spills:</i>	109	140	180	148
<i>Number of Chemical Spills:</i>	2	1	1	0

Former Manufactured Gas Plant Site Remediation Program

Manufactured gas plants were used between the 1800s and the mid-1900s, before the development of natural gas systems, to convert coal and oil into gas for heating, lighting and cooking. Byproducts of this early production process included coal tar and purifier wastes. Coal tar is a dark, viscous fluid with a distinctive acrid odor. At sites where such facilities operated, residual deposits of coal tar and other chemicals may remain in the soil.

There are 50 locations that have been identified as sites where CECONY or its predecessor companies operated MGPs in their service territory. In 2002, CECONY entered into a voluntary cleanup agreement with the New York State Department of Environmental Conservation (NYSDEC) to identify, investigate, and remediate, if necessary, sites that were previously operated by CECONY or its corporate predecessors as manufactured gas plants (MGPs) or gas storage holders. Working closely with state and local agencies, CECONY is taking responsibility for coordinating and funding the work.

Investigations are now underway to determine if there is any residual material and, working with NYSDEC and the New York State Department of Health (NYSDOH), determine if any cleanup is required.

In 1997 and 1998, O&R completed soil remediation at its one inactive hazardous waste site listed on the NYS Registry. Beginning in 1996, O&R entered into a series of voluntary Orders on Consent with NYSDEC to evaluate environmental conditions at seven (7) former MGP sites that were previously

operated by O&R or its corporate predecessors. The Orders on Consent require O&R to investigate and remediate these sites, if necessary. O&R is working to complete supplemental remedial investigations at five of the sites. Current activities include completion of an interim remedial measure at one of the sites and execution of the Record of Decision for the seventh site in conjunction with the finalization of the Feasibility Study.

Section 10: Compliance

Con Edison’s EH&S policy commits the company “to continu[e] to strive for excellence in its environmental, health and safety performance, while complying with all laws and regulations that apply to company operations.”

In 2003, there were 34 EH&S-related violations (such as notices of violations and commissioners orders), a 13% reduction from the previous year. The total cost was \$15,075 for EH&S-related penalties, a 60% reduction from 2002. The vast majority of these penalties, issued by New York City agencies, including the Department of Environmental Protection (NYCDEP) and the Fire Department (FDNY), resulted from CECONY self-reporting non-compliances. Last year, the largest penalty (\$6,000) was imposed on Con Edison Development’s Lakewood, New Jersey facility by a county agency for late-filing a sewer discharge report.

Con Edison’s 4-year compliance history is summarized below.

<i>Con Edison Compliance History</i>								
Regulations	2000		2001		2002		2003	
	Number of Penalties	Cost of Penalties	Number of Penalties	Cost of Penalties	Number of Penalties	Cost of Penalties	Number of Penalties	Cost of Penalties
Air	0	0	0	0	1	\$250	0	0
Water	9	\$5,180	2	\$2,900	9	\$10,700	9	\$6,850
Hazardous Waste	8	\$24,500	3	\$3,800	0	0	2	\$4,500
Health & Safety	6	\$2,750	32	\$19,480	23	\$18,675	21	\$3,725
Chemicals	66	\$31,050	0	0	0	0	0	0
Solid Waste	0	0	1	\$25	0	0	1	0
Other	17	0	5	\$5,850	6	\$7,825	1	0
Totals	166	\$63,480	43	\$32,055	39	\$37,450	34	\$15,075

Con Edison did not enter into any consent orders in 2003. Consent Orders received over the past four years are summarized below.

<i>Consent Orders Entered Into by Con Edison</i>				
	2000	2001	2002	2003
Number	0	1	2	0
Penalty Cost	0	\$9,000	\$122,000	0

Section 11: Sustaining the Pursuit of Environmental Excellence

Con Edison's sustained pursuit of environmental excellence is a cornerstone of the way we work. Our determination to achieve environmental excellence in every endeavor is an indispensable element in the safe and reliable delivery of energy services.

The 2003 CERES Report is a frank assessment of our performance, and highlights the efforts and achievements of the men and women who worked to meet the goals of superior environmental stewardship and a workplace free of injury.

In working toward these goals, two effective programs, the Environmental Management System (EMS) and the Safety Management System (SMS), provided a solid basis for our 2003 performance. These comprehensive management systems provided the basis for fostering a culture of excellence.

By applying these management systems, Con Edison has succeeded in sustaining the momentum achieved over the past several years while satisfying commitments to regulators, customers and the communities we serve.

In addition, CEI actively encourages all employees to apply experience, creativity and know-how to develop fresh solutions and new methods that more effectively integrate EH&S considerations in all operational settings. Con Edison places special emphasis on developing processes and methods that enable us to focus on prediction and prevention of environmental risks, rather than response and reaction.

Everywhere we do business, we are committed to protecting the environment, making prudent, sustainable use of natural resources and safeguarding the well being of our employees and the customers we serve.

For information regarding this report or other elements of Con Edison's EH&S programs, contact:

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